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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1984 — Commission file number 1-3026

PROCESSED BY
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DISCLOSURE INCORPORATED

G A F Corporation

(Exact name of registrant as specified in its charter)

Delaware	**13-0762027**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1361 Alps Road, Wayne, New Jersey	**07470**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:

(201) 628-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Preferred Stock, par value $1.00 per share	New York Stock Exchange
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes .X. No ......

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 18, 1985 was $408,399,822. The aggregate market value was computed by reference to the closing price on the New York Stock Exchange of the registrant's Common Stock and $1.20 Convertible Preferred Stock on such date ($31 and $38½, respectively). For purposes of this computation, voting stock held by officers and directors of the registrant has been excluded. Such exclusion is not intended, and shall not be deemed, to be an admission that such officers and directors are affiliates of the registrant.

The number of shares of Common Stock outstanding as of March 18, 1985 was 16,076,458.

DOCUMENTS INCORPORATED BY REFERENCE

1. The Company's Proxy Statement for the 1985 Annual Meeting of Shareholders is incorporated by reference in Part III, Items 10, 11, 12 and 13.

2. The Company's Annual Report to Shareholders for the year ended December 31, 1984 is incorporated by reference in Part I, Item 1, and in Part II, Items 5, 6, 7 and 8.

The total number of pages contained in this document and exhibits and attachments thereto is 130.

The Exhibit Index is located on page 26

PART I

Item 1. Business.

GAF Corporation (which with its subsidiaries is referred to as the "Company") is engaged in two industry segments: (i) the manufacture and sale of specialty chemicals by its Chemicals Division, and (ii) the manufacture and sale of building materials by its Building Materials Division. The Company also operates a classical music FM radio station in the New York City market. Financial information concerning the Company's industry segments required by Item 1 is included in the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1984 (the "Annual Report") in Note 8 of the Notes to Consolidated Financial Statements.

On December 13, 1983, a new Board of Directors took office, replacing the Company's previous management after a lengthy proxy contest. During 1984, the new management began to implement measures to further strengthen the already profitable Chemicals Division, to return the Building Materials Division to profitability, and to cut corporate office expenses. Capital expansion and improvement programs for both Divisions were also approved. These actions are described below.

CHEMICALS DIVISION

Principal Products

Acetylene-based chemical products—The Chemicals Division processes acetylene, a highly flammable gas, into a wide variety of acetylene-based chemicals, with uses in the manufacture of plastics, synthetic fibers, cosmetics, electroplating chemicals, pharmaceuticals, solvents, adhesives and other products. Polymers include Plasdone®, PVP (polyvinylpyrrolidone), PVP-Iodine, Polyclar AT®, Polyclar 10®, Polyplasdone XL® and Gafquat® vinylpyrrolidone copolymers. Solvents include BLO® (butyrolactone), M-Pyrol® (N-methylpyrrolidone), methylpyrrolidone, 2-Pyrol® (2-pyrrolidone) and THF (tetrahydrofuran). Intermediates include butanediol, butenediol, butynediol and propargyl alcohol. The Chemicals Division also produces a monomer intermediate, V-Pyrol® (N-vinyl-2-pyrrolidone). Copolymerized vinyl ethers include Gantrez® polymers. The Chemicals Division also sells abrasion resistant coatings.

Surfactants—The Chemicals Division manufactures and sells, under trademarks including Igepal®, Igepon®, Gafac®, Antaron®, Antara®, Alipal®, Antarox®, Nekel®, Emulphogene®, Emulphor®, Biopal® and Katapol®, a number of surfactants, which are agents that possess detergent, emulsifying, dispersing and wetting properties and are used in the manufacture and compounding of detergents (primarily industrial), insecticides, pesticides, textiles, paper, leather, rubber, plastics and chemicals and in the production and refining of petroleum and mineral products.

Engineering thermoplastics—The Chemicals Division produces and sells polybutylene terephthalate plastics under the trademarks Grafite® and Gaftuf® and thermoplastic polyester elastomers under the trademark Gaflex®.

Other specialty chemicals marketed include textile auxiliary chemicals and organometallics. One agricultural chemical is toll-manufactured by the Chemicals Division for another company.

Mineral products—In addition, the Chemicals Division manufactures and sells mineral granules which are used by the roofing industry to manufacture shingles and roll roofing. Granules are manufactured at four plants and sold to asphalt roofing manufacturers throughout the United States except on the West Coast.

The Chemicals Division produces its acetylene derivatives, surfactants, engineering plastics and other specialty chemicals at five domestic production facilities for sale in the United States and in foreign countries. It also manufactures butanediol and THF at its joint-venture plant in West Germany. See below: "Joint Venture in Europe" and "International Product Distribution".

New Products

The Chemicals Division introduced several new products during 1984. These included a new hair conditioning polymer Gaffix® VC-713, new Gaflex® thermoplastic polyester elastomers with improved performance characteristics, and new Gafite® PBT products with improved performance characteristics and meeting strict fire retardant standards. Use of M-Pyrol® was expanded into the agricultural market in 1984, as the United States Environmental Protection Agency granted this growing product exempt status for use in agriculture.

Other Recent Developments

In 1984, the Company approved $95 million capital expansion programs designed to significantly increase chemicals production capacity at plants in Kentucky, Texas and West Germany.

Raw Materials

The raw materials used in the production of chemical products are purchased from a large number of outside sources, in many cases pursuant to supply contracts. Certain of the raw materials, including acetylene, are obtained from single or limited sources pursuant to supply contracts. With respect to acetylene, the Company is supplied domestically at three locations by two suppliers. During 1984 and previously, one of these suppliers failed to fulfill a portion of its contractual commitment, causing occasional shortages of acetylene and a reduction in production of acetylene-based products. During 1984, the Company reached a settlement with such supplier and expects to obtain adequate supplies of acetylene for the foreseeable future. The Chemicals Division imported butanediol from the plant jointly owned with Chemische Werke Hüls A.G. ("Hüls") in West Germany during 1984. See below "Joint Venture in Europe".

Raw materials derived from petroleum or natural gas are used in many of the Chemicals Division's chemical manufacturing processes, and consequently the price and availability of petroleum and natural gas are material to the costs of operations. The Chemicals Division has obtained, and expects to continue to obtain, adequate supplies of raw materials derived from petroleum and natural gas at reasonable costs.

Patents, Trademarks, etc.

The Company owns approximately 525 domestic and 265 foreign patents and approximately 158 domestic and 774 foreign trademarks related to the business of its Chemicals Division. The Company believes its rights under its existing patents and patent applications to be material in order to maintain its present position in the industry. The duration of the existing patents and patent licenses is deemed generally satisfactory.

Seasonal Variations, Working Capital, Customers

Seasonal variations are generally not material to the business of the Chemicals Division.

Inventory balances are generally sufficient to meet customers' demand and do not materially deviate from standards for the industry. The Chemicals Division does not generally provide for extended payment terms to customers.

The Chemicals Division sells to a wide variety of industrial customers with particular emphasis on the pharmaceutical and cosmetics industries. No single customer or group of customers under common control is responsible for sales in excess of 10% of the consolidated revenues of the Company. In certain instances a single customer may purchase all or a significant part of the output of a particular product. The Company does not believe that the loss of any one such customer would have a material adverse effect on the business of its Chemicals Division.

Backlog, Government Sales, Competitive Conditions

Backlog is not material to the business of the Chemicals Division or any of its principal products.

Sales to the federal government are not material to the business of the Chemicals Division.

The Chemicals Division is the sole United States producer of a complete line of high-pressure acetylene-based chemicals, although it competes with imports from a large foreign manufacturer. This foreign manufacturer also has a plant in the United States which manufactures and sells butanediol and THF and a limited range of other products in the acetylene chemical line. While another company manufactures substantial quantities of butanediol and THF for its own use and for sale to others, the Company believes that it ranks first or second in sales volume of acetylene-based chemicals in the United States.

In the balance of its chemical businesses, the Chemicals Division faces competition from many companies, certain of which are substantially larger than the Company and offer a broader range of products. Generally the Company has responded to this competition by emphasizing specialized product lines. Competition in those areas of the chemical industry in which the Chemicals Division is engaged is chiefly based upon price, product innovation, product quality and reliability of supply. The Company believes that the great size and diversified nature of the chemical industry make it impossible to give a meaningful estimate of the relative position of the Company in the industry.

Joint Venture in Europe

Pursuant to a 1975 agreement, the Company and Hüls constructed and are operating a plant at Marl, West Germany for the production of butanediol. The plant is owned and operated by GAF-Hüls Chemie GmbH, a joint-venture company owned in equal shares by the Company and Hüls. The agreement provides that Hüls will supply acetylene to the plant from an adjacent manufacturing facility. The plant enables the Company to compete effectively with the other European butanediol manufacturer. Butanediol was imported from the joint venture's plant in 1984 for manufacture and sale to the Company's customers. Capacity for butanediol at the joint venture's plant is to be doubled as part of management's capital expansion program for chemicals.

The joint venture plant in Marl also produces THF. Sales of THF increased substantially in 1984.

International Product Distribution

The Chemicals Division's international operations, which are consolidated in the results of the Chemicals Division, consist principally of export of chemical products manufactured by the Company in the United States. Sales by foreign subsidiaries of such products are principally made in Western Europe. The Company's operations in Northern Europe (Finland, Denmark, Norway, Sweden) were consolidated into one subsidiary located in Sweden. Subsidiaries are also active in Australasia (Australia, New Zealand and Singapore), Brazil, Canada, Japan, Mexico, South Africa and other nations. In certain locations, sales are made through distributors rather than through local subsidiaries. The Company also markets a filter bag system for liquid filtration (consisting of filter bags manufactured by the Company and hardware produced by two manufacturers to the Company's specifications) which is produced in Europe, Brazil and Canada for markets outside the United States.

In 1984, the Company's international operations, including export sales from domestic operations, accounted for approximately 13.2% of the Company's net sales. The Company does not believe there are any unusual risks attendant on its foreign operations. See Note 9 of the Notes to Consolidated Financial Statements in the Annual Report, page 33, for financial information by geographic areas.

BUILDING MATERIALS DIVISION

Principal Products

Roofing—These products include prepared roofing (fiber glass-mat shingles, roll roofing and accessories) for the residential construction and remodeling market and built-up roofing (primarily asphalt coated and saturated fiber glass-mat felts and accessories) for commercial and industrial buildings. Included in the roofing line are the premium shingles, Timberline® and Royal Sovereign®, and premium fiber glass roofing membrane, Gafglas®.

Insulation Products—The Building Materials Division shut down the plant located in St. Louis, Missouri, which manufactured foam insulation. However, it will continue to market under the name of the Company insulation products manufactured under private label arrangements.

New Products

During 1984, the Building Materials Division introduced to markets throughout the United States its new premium intermediate weight shingle, the Royal Sovereign®.

Other Recent Developments

In May 1984, the Building Materials Division sold its thirteen building supply centers. In November, it sold the Joliet, Illinois, roofing plant, one of the three manufacturing facilities closed at year-end 1983. The facility manufacturing foam insulation was closed in December 1984.

Conversion from organic felt to glass mat substrate at all of the Company's roofing plants was accelerated and completed in August 1984.

The Company approved $22.8 million capital expansion and improvement programs designed to achieve greater manufacturing efficiencies at all its roofing plants and increase production capacity at the Fontana, California, roofing plant.

Raw Materials

A major portion of the raw materials used for the manufacture of building materials is purchased from a large number of outside sources and the balance is produced by the Company, including fiber glass-mat and roofing granules which are used to surface asphalt roofing products. (See "Chemicals Division—Mineral Products").

Asphalt, a major raw material for roofing, is derived from petroleum, and consequently the price and availability of petroleum are major factors in the cost of operation. The Company purchases asphalt from major oil refineries, independent operators and foreign sources. Conversion to fiber glass-mat substrate reduced asphalt consumption significantly and contributed to savings in raw material costs. Glass fiber for the manufacture of glass-mat used in roofing products was purchased from several suppliers during 1984.

Patents, Trademarks, etc.

The Company owns approximately 35 domestic and 30 foreign patents and approximately 60 domestic and 197 foreign trademarks related to the business of its Building Materials Division. The Company believes the patent protection covering certain of its products to be material to those products, but patents are not of material significance to the business of the Building Materials Division. The duration of the existing patents and patent licenses is deemed generally satisfactory.

Seasonal Variations, Working Capital, Customers

Sales of roofing products generally decline during the winter months due to adverse weather conditions. To maintain a more constant level of manufacturing and sales, the Building Materials Division has followed in 1984, as well as in previous years, the practice of "winter dating" principally in northern regions of the United States, pursuant to which advantageous extended credit terms are offered to creditworthy customers who order and accept delivery of roofing and insulation during the winter months. A "winter dating" program is also being offered to customers in 1985.

No single customer or group of customers under common control is responsible for sales in excess of 10% of the consolidated revenues of the Company.

Backlog, Government Sales, Competitive Conditions

Backlog is not material to the business of the Building Materials Division or any of its principal products.

Sales to the federal government are not material to the business of the Building Materials Division.

The building materials industry is highly competitive. Competition is based largely upon price, distribution capability, complementary product lines and credit terms.

WNCN (FM)

Acquired by the Company in June 1976, WNCN, 104.3 FM, is a commercial radio station in New York City which presents classical music and cultural programs. It is on the air 24 hours a day, 7 days a week. In 1984 it received *Billboard* magazine's "Radio Station of the Year" and "Program Director of the Year" awards for 1983.

GAF Broadcasting Company, Inc., a wholly owned subsidiary of the Company, manages the station and also publishes a monthly magazine, Keynote, which is devoted to classical music and the arts. The magazine also includes a complete program guide for the radio station.

The Federal Communications Commission has approved the renewal of the Company's license to operate WNCN until June 1, 1991. See "Item 3. Legal Proceedings" below for a description of the legal proceedings involving the renewal of such license and a pending lawsuit seeking to compel the Company to sell WNCN.

GENERAL

Recent Developments

As part of its financial restructuring, the Company, in early 1985, called for redemption its $1.20 Convertible Preferred Stock ("Preferred Stock"). A partial call of approximately half such shares was completed on March 13. On March 25, the Company announced its decision to call all the remaining shares of Preferred Stock. The redemption date for this second call is May 2, 1985. The shares of Preferred Stock are convertible into shares of the Company's Common Stock ("Common Stock") at the rate of 1.25 shares of Common Stock for each share of Preferred Stock at any time on or before the redemption date. The redemption price is $27.50 per share plus accrued dividends of $.41 per share from January 1, 1985, or a total of $27.91 per share. The Company expects that most holders of Preferred Stock will elect to convert their shares into Common Stock. If all such shares were converted, it would result in the issuance of approximately 1,212,100 additional shares of Common Stock.

Research and Development

Research and development expenses in 1984, 1983 and 1982 are presented in Note 1 of the Notes to Consolidated Financial Statements appearing in the Annual Report, page 27, and such figures are incorporated herein by reference. As of March 1, 1985, 80 exempt and 75 non-exempt employees were engaged in Company-sponsored research and development. Most of the Company's research and development expenses and employees are devoted to the business of its Chemicals Division. However, research and development activities deemed adequate for the needs of the Building Materials Division are maintained by the Company.

In addition, the Company expended $1,473,086, $1,047,343 and $899,912 on customer-sponsored research and development services for the years 1984, 1983 and 1982, respectively.

Protection of the Environment

The discussion as to asbestos-related and environmental lawsuits involving the Company and appearing in response to "Item 3–Legal Proceedings" below is incorporated herein by reference.

Prior to the early 1970s, there were few laws or regulations in the United States governing the manufacture, sale or use of chemical substances in relation to their effects on the environment. During the last 15 years, a wide variety of federal, state and local environmental laws and regulations have been adopted and continue to be adopted and changed. By reason of the nature of the Company's past and present operations and certain of the substances which are or have been used, produced or discharged, environmental control problems which the Company may encounter in the future cannot be predicted. As a result of changing regulatory standards, substantial additional capital expenditures and increased operating expenses, the amount of which cannot be estimated at this time, may be occasioned by the Company's continuing efforts to deal responsibly with environmental matters.

Activity continues in matters pertaining to compliance with the Toxic Substances Control Act. Systems have been set up for assessing risk to health or environment at early development stages for new products. Pre-Manufacturing Notices for new chemicals to be commercially introduced are filed as required. No information or conditions have been discovered to date which require mandatory reporting to the EPA under Section 8(e) of the Act.

The Company believes that compliance with environmental control requirements will not adversely affect its competitive position in the industries in which it is engaged. These requirements resulted in capital expenditures of $6,240,000 from 1982 through 1984. The Company currently has plans to invest an additional amount of approximately $2,270,000 in pollution abatement facilities in 1985, $2,687,000 in 1986 and $3,110,000 in 1987. No assurance can be given that the amounts actually invested will not be larger.

Executive Officers

The names and ages of the executive officers of the Company as of March 1, 1985, the time from which they have served as officers and their present positions with the Company, are as follows:

Samuel J. Heyman (1)(2)(3)	46	12/83	Chairman of the Board and Chief Executive Officer
James T. Sherwin (1)(3)	51	5/84	Vice Chairman and Chief Administrative Officer
		6/74 to 5/83	Executive Vice President for Finance and Administration
Edward E. Shea (1)(3)	52	6/84	Senior Vice President, General Counsel and Secretary
Raymond J. Lacroix	49	5/84	Senior Vice President and Chief Financial Officer
		10/83	Vice President and Treasurer
		1/81	Vice President and Controller
John A. Brennan	53	1/77	Senior Vice President (Building Materials)
Carl R. Eckardt	54	8/79	Senior Vice President (Chemicals)

(1) Member, Board of Directors

(2) Member, Executive Committee

(3) Member, Retirement Committee

The following executive officers were elected to their positions by the Board of Directors on April 30, 1984 to serve until the next annual organization meeting or until their successors are elected and have qualified: Messrs. Heyman, Brennan, Eckardt, Lacroix. Mr. Sherwin and Mr. Shea were appointed to their present position effective May 21, 1984 and June 18, 1984, respectively.

All executive officers have been in the employ of the Company for more than five years except as follows:

From 1968 to the present date, Mr. Heyman served and still serves as Chief Executive Officer, Manager and General Partner of closely-held real estate development companies and partnerships.

Mr. Sherwin had been employed by the Company as Executive Vice President—Finance until May 1983, at which time he resigned to join Triangle Industries, Inc. as Executive Vice President and Chief Financial Officer. In May 1984, Mr. Sherwin rejoined the Company as Vice Chairman and Chief Administrative Officer.

Mr. Shea, prior to joining the Company in June 1984, was Partner (1984) and Counsel (1982-1983) at Windels, Marx, Davies and Ives (attorneys) and Chairman of the Board and General Counsel at Reichhold Chemicals, Inc. from 1972 to 1981.

No arrangements or understandings exist between any executive officer and any other person pursuant to which the officer was selected as such except that the employment agreement between the Company and Mr. Sherwin provides that he be nominated to serve as a director. There is no family relationship between any of the executive officers.

Reference is made to the Company's Proxy Statement dated March 27, 1985 for additional information about the executive officers of the Company.

Employees

At January 31, 1985, the Company employed approximately 3,900 people. At such date, approximately 1,800 employees in the United States and Canada were subject to 24 union contracts, which are effective in most cases for two or three year periods. Of these contracts, approximately one-third will expire in 1985. During 1984, there were no strikes or work stoppages.

The Company has filed an application with the Internal Revenue Service and the Pension Benefit Guaranty Corporation for a spin-off/termination effective September 1, 1984 involving its Retirement Plan for Hourly Employees. Annuities were purchased to fund the vested benefits for all active, retired and vested terminated hourly employees. The Company is seeking reversion of plan assets remaining after satisfaction of plan liabilities for these vested employees. The Company has in effect various benefit plans which include a Capital Accumulation Plan for its salaried employees, a Retirement Plan for its hourly paid employees and group insurance arrangements providing life, accidental death, hospital, surgical, medical and dental coverage. The Company and, in many cases, the employees contribute to the costs of the plans and insurance arrangements.

During 1984, the Company adopted its 1984 Stock Option Plan and 1984 Employee Stock Purchase Plan which were approved by shareholders at the annual meeting on April 30, 1984. Information on options granted and shares issued pursuant to these Plans and earlier plans of the Company is described in Note 7 of the Notes to Consolidated Financial Statements contained in the Annual Report, page 31.

Item 2. Properties.

In June 1984, the corporate headquarters of the Company and of its Chemicals Division and Building Materials Division were relocated at 1361 Alps Road, Wayne, New Jersey 07470. The Company leases, from a corporation it organized, the buildings and approximately 100 acres of land at Wayne, New Jersey. The Company's principal research and development operations, its general administrative and financial operations, and its principal electronic data processing facility are also located at the Wayne site. The Wayne lease is capitalized in accordance with current accounting practice. See Note 10 of the Notes to Consolidated Financial Statements in the Annual Report, page 33.

The WNCN (FM) studio and GAF Broadcasting Company, Inc. are located in leased offices at 1180 Avenue of the Americas, New York, New York.

The Company's domestic real properties are as follows:

Location	Facility	Division
Alabama		
Birmingham	Warehouse*	Building Materials
Huntsville	Plant*	Chemicals
Mobile	Plant	Building Materials
California		
Fontana	Plant	Building Materials
Irvine	Sales Office*	Chemicals
Florida		
Tampa	Plant	Building Materials
Georgia		
Savannah	Plant	Building Materials

Location	Facility	Division
Illinois		
Elgin	Credit Office*	Building Materials
Lombard	Sales Office*	Chemicals
Indiana		
Mount Vernon	Plant	Building Materials
Kansas		
Leawood	Sales Office*	Building Materials
Kentucky		
Calvert City	Plant	Chemicals
Maryland		
Baltimore	Plant, Warehouse	Building Materials
Hagerstown	Research	Chemicals
Massachusetts		
Millis	Plant	Building Materials
Minnesota		
Minneapolis	Plant, Warehouse*	Building Materials
Missouri		
Annapolis	Plant	Chemicals
New Jersey		
Bound Brook	Plant	Chemicals
Linden	Plant, Sales Office	Chemicals
South Bound Brook	Sales Office, Warehouse	Building Materials
Wayne	Corporate Headquarters*, Administrative Offices*, Research Laboratories*	Building Materials and Chemicals
New York		
New York	Office and Studios*	WNCN (FM)
North Carolina		
Charlotte	Sales Office*	Chemicals
Ohio		
Cincinnati	Sales Office*	Chemicals
Pennsylvania		
Blue Ridge Summit	Plant	Chemicals
Erie	Plant	Building Materials
King of Prussia	Sales Office*	Chemicals
South Carolina		
Chester	Plant	Building Materials
Texas		
Arlington	Sales Office*	Chemicals
Dallas	Plant	Building Materials
Seadrift	Plant	Chemicals
Texas City	Plant	Chemicals
Wisconsin		
Pembine	Plant	Chemicals

The Company's foreign real properties are as follows:

Australia		
Melbourne	Sales Office*	Chemicals
Sydney	Sales Office,* Distribution Center*	Chemicals

Location	Facility	Division
Austria		
Vienna	Sales Office,* Distribution Center*	Chemicals
Belgium		
Sint-Niklaas	Plant, Sales Office, Distribution Center	Chemicals
Brazil		
Sao Paulo	Sales Office,* Distribution Center*	Chemicals
Canada		
Mississauga	Sales Office,* Distribution Center*	Chemicals
France		
Paris	Sales Office,* Distribution Center*	Chemicals
Great Britain		
Esher	Sales Office,* Administrative Office*	Chemicals
Manchester	Sales Office,* Distribution Center*	Chemicals
Italy		
Milan	Sales Office,* Distribution Center*	Chemicals
Japan		
Tokyo	Sales Office*	Chemicals
Mexico		
Mexico City	Sales Office,* Distribution Center*	Chemicals
The Netherlands		
Schiedam	Sales Office,* Distribution Center*	Chemicals
New Zealand		
Auckland	Sales Office,* Distribution Center*	Chemicals
Puerto Rico		
Carolina	Sales Office*	Chemicals
Singapore		
Singapore	Sales Office,* Distribution Center*	Chemicals
South Africa		
Sandton	Sales Office,* Distribution Center*	Chemicals
Spain		
Barcelona	Sales Office,* Distribution Center*	Chemicals
Sweden		
Johanneshov	Sales Office,* Distribution Center*	Chemicals
Switzerland		
Zug	Sales Office,* Distribution Center*	Chemicals
West Germany		
Frechen	Sales Office,* Distribution Center*	Chemicals
Affiliates:		
GAF-Hüls Chemie GmbH Marl, West Germany	Plant	Chemicals

* Leased Property

other public and private buildings caused, in whole or in part, by what is claimed to be the present or future need to remove asbestos material from those premises. The relief being sought is to recover the cost of inspections, removals and/or the replacement of asbestos materials plus health screening examinations, counsels' fees and expenses incurred in connection with the litigation and compensatory and punitive damages. The cost of defense is being paid by INA, one of the Company's insurers, subject to a reservation of rights. These actions are still in early stages and it is not possible to predict their outcome. GAF did not sell asbestos products suitable for spray or acoustical ceiling applications which are the primary products being removed from buildings. In the opinion of its management, the ultimate disposition of these actions will not have a material adverse effect on the Company's financial condition.

In October, 1983, the Company filed a lawsuit in Los Angeles, California Superior Court against its past insurance carriers to obtain a judicial determination that defendants are obligated to defend and indemnify the Company in numerous asbestos property damage cases pending throughout the United States. The Company is seeking declaratory relief as well as compensatory damages. This action is presently in the pre-trial pleading and discovery stage. INA currently is paying, under reservations of rights, all costs of defense of the pending property damage cases.

On February 2, 1981, an action was commenced against the Company and GAF Broadcasting Company, Inc. ("GAF Broadcasting"), a wholly-owned subsidiary of the Company, by Concert Radio, Inc. in the Supreme Court, State of New York, County of New York, seeking specific performance, or, in the alternative, damages arising out of the alleged breach of an option agreement for the purchase of Radio Station WNCN (FM). The trial court, by judgment entered on October 15, 1984, ordered specific performance of the option agreement. The Company has appealed from such judgment to the New York Supreme Court, Appellate Division. The judgment has been stayed pending appeal.

On May 1, 1981, the Listeners' Guild, Inc. ("Guild") and Classical Radio for Connecticut, Inc. ("CRC") filed with the Federal Communications Commission ("Commission") a petition to deny the WNCN license renewal application. On June 21, 1982, the Commission staff denied the petition to deny. On July 16, 1984, the full Commission affirmed the staff's decision, and renewed the WNCN license. On March 20, 1985, the Commission denied a petition for reconsideration of its July 16, 1984 decision.

On May 1, 1981, Classical Radio, Inc. filed with the Commission an application for the same frequency on which WNCN(FM) operates, in conflict with the WNCN license renewal application. Following hearings on the applications, GAF Broadcasting and Classical Radio, Inc. entered into an agreement by which Classical Radio, Inc. would dismiss its application in return for certain consideration from GAF Broadcasting. On June 26, 1984, a Commission Administrative Law Judge approved the settlement agreement. On December 24, 1984, the Guild and CRC filed a Petition for Review in the U.S. Court of Appeals for the District of Columbia Circuit from the Commission's denial of their petition to intervene in this proceeding. The Guild and CRC seek to intervene to challenge the settlement agreement. The Commission has moved to dismiss this action. The court has not yet ruled on this motion.

The Company is a defendant (generally one of several) in a number of cases involving allegedly defective commercial roofing products containing felt substrates which the Company has phased out as a component of roofing products. The number of such cases has declined steadily during the last three years. The amounts claimed in a number of these cases are substantial, typically $100,000 to $500,000. However, most cases are settled for a fraction of the sum demanded and recovery, if any, from the defendants is frequently apportioned among them, which reduces the burden of such judgments or settlements on the Company.

A description of certain legal proceedings involving the Company and its former and present directors and officers may be found in the Proxy Statement dated March 27, 1985 for its 1985 annual meeting of shareholders under "Proposal No. 1—Election of Directors—Litigation."

The Company is a defendant together with numerous other companies in several lawsuits under the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as "CERCLA" or the "Superfund Law") and similar state laws which seek to recover from generators of hazardous waste the cost of cleaning up abandoned or imminently dangerous waste disposal sites. The Company is also a party to a variety of administrative proceedings and lawsuits (other than the dumpsite lawsuits) which primarily involve allegations of permit violations which management believes can be resolved by compliance orders and without any material liability to the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the f[illegible] quarter of 1984.

PART II

The information required by Items 5, 6, 7 and 8 is incorporated by reference to the Company's Annual Report as follows:

Item 9. Disagreements on Accounting and Financial Disclosure.

In April 1984, the Company engaged Arthur Andersen & Co. as its independent accountant to replace Deloitte Haskins & Sells. The selection of new auditors, which was reported on Form 8-K filed on April 27, 1984, did not involve any disagreement with the Company's prior auditors on any matter of accounting principles or practices or financial statement disclosure. No such disagreement took place within the last twenty four months.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by Item 10 is incorporated by reference to the proxy statement for the Company's 1985 Annual Meeting of Shareholders under the caption "Proposal No. 1—Election of Directors—Nominees." For the information required as to Executive Officers, see Part I, "Item 1 Executive Officers."

Item 11. Executive Compensation.

The information required by Item 11 is incorporated by reference to the Company's proxy statement for the 1985 Annual Meeting of Shareholders under the caption "Proposal No. 1—Election of Directors—Executive Compensation and Certain Transactions—Remuneration of Directors."

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by Item 12 is incorporated by reference to the Company's proxy statement for the 1985 Annual Meeting of Shareholders under the caption "Security Ownership of Certain Beneficial Owners and Management."

Item 13. Certain Relationships and Related Transactions.

The information required by Item 13 is incorporated by reference to the Company's proxy statement for the 1985 Annual Meeting of Shareholders under the captions "Proposal No. 1—Election of Directors—Executive Compensation and Certain Transactions—Certain Transactions with Related Parties."

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

The following documents are filed as part of this report

(a)(1) **Financial Statements:**

Financial statements of GAF Corporation and subsidiaries are incorporated by reference to the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1984. See list on page 13 herein

Separate financial statements of GAF Corporation are omitted because its total assets, exclusive of investments in and advances to consolidated subsidiaries, constitute 75 percent or more of the total assets shown by the latest consolidated balance sheet filed and total gross revenues for the latest period for which profit and loss statements are filed, exclusive of interest and dividends from, or equity in income of, the consolidated subsidiaries, constitute 75 percent or more of the total gross revenues shown by the consolidated profit and loss statements filed

(a)(2) Financial Statement Schedules:

The following supplementary financial information is filed in this Form 10-K and should be read in conjunction with the financial statements in the Annual Report:

Schedules, other than those listed above, are omitted because of the absence of the conditions under which they are required or because the required information, where material, is shown in the financial statements or the notes thereto.

(a)(3) Exhibits:

3.1	—Certificate of Incorporation, as amended to September 1, 1981, incorporated by reference to Exhibit 3.1 to registrant's Form 10-K for the year ended December 31, 1982
3.2	—By-Laws, as amended as of April 30, 1984.
4	Instruments defining the rights of security holders, including indentures. Upon request of the Securities and Exchange Commission, the Company hereby undertakes to furnish copies of the instruments with respect to its long-term debt.
10.1	—Interim Agreement dated April 24, 1984 among the Company, certain Underwriters at Lloyd's, London and certain Insurance Companies, incorporated by reference to Exhibit 10 to registrant's Form 8-K for the quarter ended July 1, 1984.
10.2	—Resolutions adopted by the Company's Board of Directors on August 10, 1983, amending the Company's severance policy as to Vice Presidents, Senior Vice Presidents and Executive Vice Presidents, incorporated by reference to Exhibit 10 to registrant's Form 10-Q for the quarter ended October 2, 1983.
10.3	—Consulting Agreement, dated as of January 1, 1984, between the Company and Mr. Robert C. Wilson incorporated by reference to Exhibit 10.4.1 to registrant's Form 10-K for the year ended December 31, 1983
10.4	—Executive Incentive Compensation Plan, as amended through October 18, 1979, incorporated by reference to Exhibit A(1) to registrant's Form 10-K for the year ended December 31, 1979.
10.5	Minutes of the Meeting of the Company's Board of Directors on December 17, 1981, amending the Executive Incentive Compensation Plan as to award recommendations, incorporated by reference to Exhibit 10.6 to registrant's Form 10-K for the year ended December 31, 1982
10.6	—Plan for the Sale of Restricted and Unrestricted Common Stock to Employees Who Perform Executive, Administrative or Supervisory Functions (the "Stock Purchase Plan"), as amended through September 23, 1982, incorporated by reference to Exhibit A(3) to registrant's Form 10-K for the year ended December 31, 1978

10.7	—Minutes of the Meeting of the Company's Board of Directors on September 23, 1983, amending the 1975 Stock Option Plan to provide for the lapse of ninth anniversary restrictions as of October 15, 1983, incorporated by reference to Exhibit 10.8 to the registrant's Form 10-K for the year ended December 31, 1983.
10.8	—1975 Stock Option Plan, incorporated by reference to the Exhibit 10.9 to registrant's Form 10-K for the year ended December 31, 1982.
10.9	—Minutes of the Meeting of the Company's Board of Directors on July 22, 1982, amending the 1975 Stock Option Plan to extend the exercise date for directors and recommending to the Stock Option Committee that certain limited stock appreciation rights ("Limited Rights") be included in the registrant's stock option agreements, incorporated by reference to Exhibit 10.10 to registrant's Form 10-K for the year ended December 31, 1982.
10.10	—Unanimous written consent of the Stock Option Committee, dated July 22, 1982, amending the Company's stock option agreements to include Limited Rights, incorporated by reference to Exhibit 10.11 to registrant's Form 10-K for the year ended December 31, 1982.
10.11	—1984 Stock Option Plan incorporated by reference to Exhibit 10.2 to registrant's Form 10-Q for the quarter ended April 1, 1984.
10.12	—Minutes of the Meeting of the Company's Board of Directors on April 30, 1984, amending the 1984 Employee Stock Option Plan as to Limited Rights, incorporated by reference to Exhibit 10.3 to registrant's Form 10-Q for the quarter ended April 1, 1984.
10.13	—Amendment to the 1984 Employee Stock Purchase Plan, as adopted by the Company's Board of Directors on September 24, 1984.
10.14	—Consulting Agreement dated as of December 1, 1984 between the Company and G. B. Energy Systems, Inc. for the performance of services by Dr. J. E. Goldman.
11	—Computation of Earnings per Common Share for the Three Years Ended December 31, 1984.
13	—Annual Report to Shareholders for the fiscal year ended December 31, 1984, certain portions of which are incorporated herein by reference. The Annual Report, except for those portions which are expressly incorporated by reference, is provided for the information of the Securities and Exchange Commission and is not to be deemed "filed."
21	—Excerpts from the proxy statement for the Company's 1985 Annual Meeting of Shareholders, covering material incorporated by reference in Part III hereof.
22	—Subsidiaries of registrant.
24.1	—Consent of Arthur Andersen & Co., Independent Public Accountants, included at page 19 of this Report.
24.2	—Consent of Deloitte Haskins & Sells, Independent Public Accountants, included at page 20 of this Report.
28	—Undertakings.

(b) Reports on Form 8-K.

No report on Form 8-K was filed with the Securities and Exchange Commission during the last quarter of 1984.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GAF Corporation
(Registrant)

Date: March 27, 1985

By ______________________
(Samuel J. Heyman)

Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
(Samuel J. Heyman)	Chairman of the Board and Chief Executive Officer	March 27, 1985
(Daniel T. Carroll)	Director	March 27, 1985
(Jacob E. Goldman)	Director	March 27, 1985
(Sanford Kaplan)	Director	March 27, 1985
(Raymond J. Lacroix)	Senior Vice President and Chief Financial Officer	March 27, 1985
(William P. Lyons)	Director	March 27, 1985

(Scott A. Rogers, Jr.)	Director	March 27, 1985
(Edward E. Shea)	Director and Senior Vice President	March 27, 1985
(James T. Sherwin)	Director and Vice Chairman	March 27, 1985
(Harold C. Simmons)	Director	March 27, 1985
(William Spier)	Director	March 27, 1985
(Joseph D. Tydings)	Director	March 27, 1985
(Robert C. Wilson)	Director	March 27, 1985

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

GAF CORPORATION:

In connection with our examination of the consolidated financial statements as of December 31, 1984, and for the year then ended, included in GAF Corporation's annual report to shareholders and incorporated by reference in this Form 10-K, we have also examined the schedules for the year ended December 31, 1984, as listed in the index on page 15 of this Form 10-K. Our examination of the 1984 consolidated financial statements was made for the purpose of forming an opinion on those statements taken as a whole. The schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. The schedules for the year ended December 31, 1984 have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Roseland, New Jersey
February 11, 1985

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 No. 2-53686, No. 2-41036, No. 2-92203 and No. 2-92202.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Roseland, New Jersey
March 26, 1985

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

GAF Corporation:

We have examined the consolidated balance sheet of GAF Corporation and its consolidated subsidiaries as of December 31, 1983 and the related consolidated statements of income, shareholders' equity and changes in financial position for the years ended December 31, 1983 and 1982; such financial statements are included in your 1984 Annual Report to Shareholders and are incorporated herein by reference. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of the companies at December 31, 1983 and the results of their operations and the changes in their financial position for the years ended December 31, 1983 and 1982, in conformity with generally accepted accounting principles consistently applied.

Our examinations also comprehended the supplemental schedules of GAF Corporation and its consolidated subsidiaries for the years ended December 31, 1983 and 1982, listed in Item 14(a)(2) herein. In our opinion, such supplemental schedules, when considered in relation to the basic consolidated financial statements, present fairly in all material respects the information shown therein.

Deloitte Haskins & Sells

Deloitte Haskins & Sells
New York, New York
February 17, 1984

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

GAF Corporation:

We hereby consent to the incorporation by reference in the Prospectus included in (a) Post-Effective Amendment No. 11 to Registration No. 2-41036, (b) Post-Effective Amendment No. 7 to Registration No. 2-53686, (c) Registration No. 2-92202 and (d) Post-Effective Amendment No. 1 to Registration No. 2-92203, all on Forms S-8, of our opinion dated February 17, 1984 appearing in the 1984 Annual Report on Form 10-K of GAF Corporation.

Deloitte Haskins & Sells

Deloitte Haskins & Sells
New York, New York
March 28, 1985

GAF CORPORATION AND SUBSIDIARIES

SCHEDULE I — MARKETABLE SECURITIES

As of December 31, 1984

(Dollars in Thousands)

Title of Issue	Principal Amount	Cost	Market Value	Balance Sheet Carrying Amount
Repurchase Agreements	$40,050	$40,050	$40,050	$40,050
Foreign Government Securities	6,414	6,414	6,414	6,414
Eurodollar Deposits	2,771	2,771	2,802	2,771
Money Market Funds	2,125	2,125	2,125	2,125
Common Stock — Utilities	2,000	2,007	2,034	2,007
				$53,367

GAF CORPORATION AND SUBSIDIARIES

SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 1984

(Dollars in Thousands)

Classification	Balance January 1, 1984	Additions at Cost	Retirements	Transfers Between Accounts	Balance December 31, 1984
Land	$ 6,174	$ —	$ 367	$ —	$ 5,807
Land improvements	8,895	571	224	—	9,242
Buildings and building equipment	54,385	751	2,558	(20)	52,558
Machinery and equipment	211,049	12,151	22,521	(21)	200,658
Construction in progress	5,714	4,427(a)	—	41	10,182
	$286,217	$ 17,900	$25,670	$ —	$278,447

Year Ended December 31, 1983

(Dollars in Thousands)

Classification	Balance January 1, 1983	Additions at Cost	Retirements	Other Changes Add (Deduct) Transfers: Between Accounts	Other Changes Add (Deduct) Transfers: From Discontinued Segments	Balance December 31, 1983
Land	$ 6,879	$ —	$ 705	$ —	$ —	$ 6,174
Land improvements	9,451	411	967	—	—	8,895
Buildings and building equipment	60,452	1,955	8,481	(127)	586	54,385
Machinery and equipment	227,742	13,512	31,743	130	1,408	211,049
Construction in progress	9,217	(1,974)(a)	1,682	(3)	156	5,714
	$313,741	$13,904	$43,578	$ —	$2,150	$286,217

Year Ended December 31, 1982

(Dollars in Thousands)

Classification	Balance January 1, 1982	Additions at Cost	Retirements	Transfers From Discontinued Segments	Balance December 31, 1982
Land	$ 6,866	$ 47	$ 34	$ —	$ 6,879
Land improvements	9,075	638	262	—	9,451
Buildings and building equipment	60,780	1,928	2,256	—	60,452
Machinery and equipment	225,333	16,909	14,832	332	227,742
Construction in progress	11,091	(1,809)(a)	65	—	9,217
	$313,145	$17,713	$17,449	$332	$313,741

NOTE (a) Denotes net change during year

The ranges of annual depreciation rates generally were as follows (applied principally on the straight-line basis):

Land improvements	3-10%
Buildings and building equipment	2½-20%
Machinery and equipment	5-33%

GAF CORPORATION AND SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 1984

(Dollars in Thousands)

Classification	Balance January 1, 1984	Additions Charged to Costs and Expenses	Retirements	Transfers Between Accounts	Balance December 31, 1984
Land improvements	$ 2,895	$ 538	$ 197	$ —	$ 3,236
Buildings and building equipment	25,762	2,350	2,171	4	25,945
Machinery and equipment	93,092	16,509	19,446	(4)	90,151
	$121,749	$19,397	$21,814	$ —	$119,332

Year Ended December 31, 1983

(Dollars in Thousands)

Classification	Balance January 1, 1983	Additions Charged to Costs and Expenses(a)	Retirements	Transfers From Discontinued Segments	Balance December 31, 1983
Land improvements	$ 2,663	$ 748	$ 516	$ —	$ 2,895
Buildings and building equipment	26,383	4,670	5,654	363	25,762
Machinery and equipment	92,275	27,367	27,350	800	93,092
	$121,321	$32,785	$33,520	$1,163	$121,749

Year Ended December 31, 1982

(Dollars in Thousands)

Classification	Balance January 1, 1982	Additions Charged to Costs and Expenses	Retirements	Transfers From Discontinued Segments	Balance December 31, 1982
Land improvements	$ 2,332	$ 510	$ 179	$ —	$ 2,663
Buildings and building equipment	25,408	2,718	1,743	—	26,383
Machinery and equipment	88,995	17,489	14,262	53	92,275
	$116,735	$20,717	$16,184	$ 53	$121,321

NOTES (a) Includes $11,316 related to the write-off of assets in connection with provisions for certain plant shutdowns and office relocation and a $21,469 provision for depreciation charged to continuing operations.

GAF CORPORATION AND SUBSIDIARIES

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

Year Ended December 31, 1984

(Dollars in Thousands)

Description	Balance January 1, 1984	Charged to Costs and Expenses	Deductions	Balance December 31, 1984
Valuation and Qualifying Accounts Deducted From Assets To Which They Apply:				
Allowance for doubtful accounts	$4,709	$1,313	$ 596(a)	$5,426
Allowance for discounts	914	6,772	6,197	1,489
Reserve for inventory valuation	7,781	2,967	6,210	4,538

Year Ended December 31, 1983

(Dollars in Thousands)

Description	Balance January 1, 1983	Charged to Costs and Expenses	Deductions	Balance December 31, 1983
Valuation and Qualifying Accounts Deducted From Assets To Which They Apply:				
Allowance for doubtful accounts	$3,034	$4,483	$2,808(a)	$4,709
Allowance for discounts	1,105	6,735	6,926	914
Reserve for inventory valuation	2,987	7,416	2,622	7,781

Year Ended December 31, 1982

(Dollars in Thousands)

Description	Balance January 1, 1982	Charged to Costs and Expenses	Deductions	Balance December 31, 1982
Valuation and Qualifying Accounts Deducted From Assets To Which They Apply:				
Allowance for doubtful accounts	$2,828	$1,622	$1,416(a)	$3,034
Allowance for discounts	1,419	6,000	6,314	1,105
Reserve for inventory valuation	2,847	2,585	2,445	2,987

NOTE: (a) Represents write-offs of uncollectible accounts net of recoveries.

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FEE RECEIVED
MAR 29 19..
OFFICE OF APPLICATIONS AND REPORT SERVICES

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1984 **Commission file number 1-5026**

G A F Corporation

(Exact name of registrant as specified in its charter)

E X H I B I T S

EXHIBIT INDEX

Exhibit No.	Description	Page
3.1	—Certificate of Incorporation, as amended to September 1, 1981, incorporated by reference to Exhibit 3.1 to registrant's Form 10-K for the year ended December 31, 1982	
3.2	—By-Laws, as amended as of April 30, 1984	29
4	Instruments defining the rights of security holders, including indentures. Upon request of the Securities and Exchange Commission, the Company hereby undertakes to furnish copies of the instruments with respect to its long-term debt.	
10.1	—Interim Agreement dated April 24, 1984 among the Company, certain Underwriters at Lloyd's, London and certain Insurance Companies, incorporated by reference to Exhibit 10 to registrant's Form 8-K for the quarter ended July 1, 1984.	
10.2	—Resolutions adopted by the Company's Board of Directors on August 10, 1983, amending the Company's severance policy as to Vice Presidents, Senior Vice Presidents and Executive Vice Presidents, incorporated by reference to Exhibit 10 to registrant's Form 10-Q for the quarter ended October 2, 1983.	
10.3	—Consulting Agreement, dated as of January 1, 1984, between the Company and Mr. Robert C. Wilson incorporated by reference to Exhibit 10.4.1 to registrant's Form 10-K for the year ended December 31, 1983	
10.4	—Executive Incentive Compensation Plan, as amended through October 18, 1979, incorporated by reference to Exhibit A(1) to registrant's Form 10-K for the year ended December 31, 1979.	
10.5	—Minutes of the Meeting of the Company's Board of Directors on December 17, 1981, amending the Executive Incentive Compensation Plan as to award recommendations, incorporated by reference to Exhibit 10.6 to registrant's Form 10-K for the year ended December 31, 1982	
10.6	—Plan for the Sale of Restricted and Unrestricted Common Stock to Employees Who Perform Executive, Administrative or Supervisory Functions (the "Stock Purchase Plan"), as amended through September 23, 1982, incorporated by reference to Exhibit A(3) to registrant's Form 10-K for the year ended December 31, 1978	
10.7	—Minutes of the Meeting of the Company's Board of Directors on September 23, 1983, amending the 1975 Stock Option Plan to provide for the lapse of ninth anniversary restrictions as of October 15, 1983, incorporated by reference to Exhibit 10.8 to the registrant's Form 10-K for the year ended December 31, 1983.	
10.8	—1975 Stock Option Plan, incorporated by reference to the Exhibit 10.9 to registrant's Form 10-K for the year ended December 31, 1982	
10.9	—Minutes of the Meeting of the Company's Board of Directors on July 22, 1982, amending the 1975 Stock Option Plan to extend the exercise date for directors and recommending to the Stock Option Committee that certain limited stock appreciation rights ("Limited Rights") be included in the registrant's stock option agreements, incorporated by reference to Exhibit 10.10 to registrant's Form 10-K for the year ended December 31, 1982	

EXHIBIT INDEX

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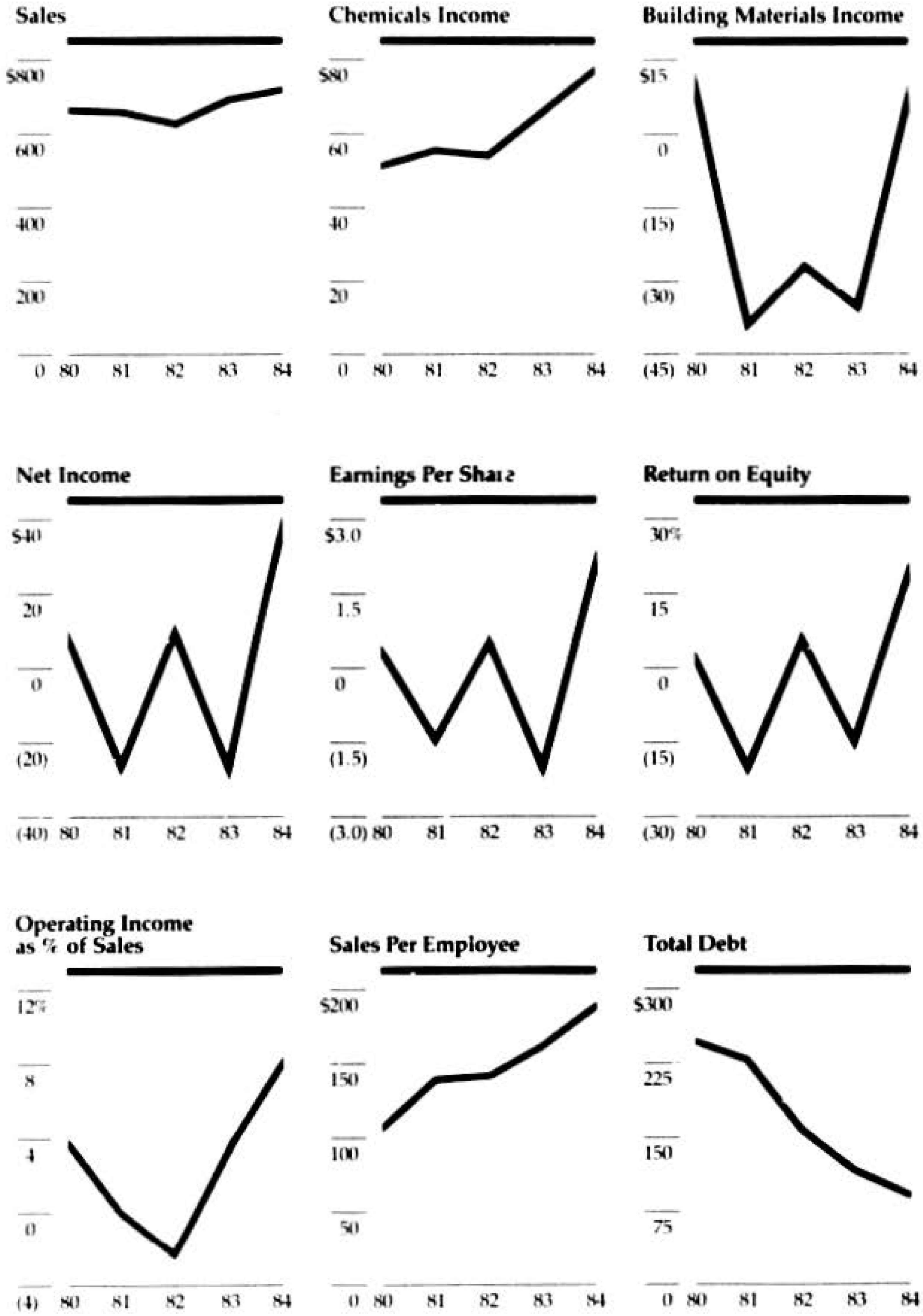
GAF's Financial Summary



"Net Income" represents income (loss) from continuing operations. "Earnings Per Share" represents earnings from continuing operations on a fully diluted basis. "Return on Equity" is calculated on the basis of continuing income, after taxes, measured against average balance of shareholders' equity.

Financial Condition

When GAF's new management took office in December, 1983, it established as its prime objective the prompt realization of the Company's underlying values. As a result of strategic programs implemented early in the year, the Company experienced a dramatic turnaround in 1984. With the turnaround now accomplished, management has shifted its primary focus to the enhancement of revenues and strategies designed to lay the groundwork for sustained future earnings growth.

While the Company's financial condition improved in the years 1981-1983, this was primarily attributable to a restructuring program that resulted in the sale of several of the Company's businesses and benefits derived from the reversion of a total of $65.2 million in residual assets of the terminated Retirement Plan for Salaried Employees. On the other hand, the improvement of the Company's financial condition in 1984 came about as a result of improved cash flow from operations.

As shown on the Consolidated Statements of Changes in Financial Position, the Company's cash flow from continuing operations in 1984 was approximately four times greater than the total reported in 1982 and 1983. In addition, the Company experienced a cash inflow from working capital items in 1984 of $24 million, as compared with cash outflows of $9.5 million in 1983 and $20 million in 1982, resulting from improved cash management practices and tighter controls over inventory levels. The working capital ratio increased to 2.23:1 in 1984 from 1.73:1 in 1983 while total working capital increased $47.5 million (51%) to $140.7 million.

The Company's cash position increased nearly three-fold in 1984 to $70 million. Increased cash flow during the past three years has enabled the Company to reduce its total debt level from $233 million at December 31, 1981 to the current level of $89.2 million, a 62% decrease. At the same time, the ratio of debt to debt plus equity, which was 63.4% at December 31, 1981, dropped to 47.5%, 41.3% and 29.4% at December 31, 1982, 1983 and 1984, respectively. This reduction in debt levels has had the added benefit of lowering interest expense. Interest expense for 1984 of $9.1 million was 44% lower than last year's $16.3 million and was less than one-half of the 1982 expense of $20 million.

As a further indication of the Company's improved financial condition, Standard and Poor's and Moody's significantly upgraded GAF's credit ratings in the third quarter of 1984. Standard & Poor's raised the ratings on GAF's senior debt and preferred stock by four grades to BB+ and three grades to B+, respectively, while Moody's raised its rating on GAF's debt by two grades to Ba-2.

The Company in 1984 entered into a $100 million revolving credit facility with a consortium of eight banks, effective as of June 1, 1984 and terminating December 31, 1986. However, as a result of improved cash flow, the Company in the third quarter voluntarily reduced this credit facility to $50 million. Between mid-September and December 31st, the Company did not borrow against this facility and, in fact, was in an investment mode. The revolving credit agreement includes restrictions on the payment of dividends on GAF common stock, capital expenditures and funded debt, and requires the maintenance of minimum working capital and net worth. The Company also has additional short-term lines of credit, of which approximately $12.6 million was unused at December 31, 1984.

The Company restored the cash dividend on its common stock in the third quarter of 1984 after not paying such dividend since the first quarter of 1983. Cash dividends of five cents per share were declared in July and October of 1984 and in January, 1985.

The Company in the third quarter of 1984 repurchased 233,073 shares of common stock and 27,272 shares of preferred stock at an aggregate market value of $5.6 million. These shares have been taken into Treasury and will be used in connection with employee stock purchase and stock option plans.

In January, 1985, the Company called for redemption 1,138,000 shares of the $1.20 convertible preferred stock at the redemption price of $27.50 per share plus accrued dividends of $.24 per share from January 1, 1985 through the redemption date of March 13, 1985. Holders of shares called for redemption have the right to convert to common stock at any time prior to the close of business on the redemption date.

Capital expenditures in 1984 were $17.9 million compared with $13.9 million in 1983. They are expected to exceed $40 million in 1985. The Company, in the fourth quarter of 1984, announced a $118 million capital expansion program to be completed in stages over the next two years. The bulk of the expansion, at a cost of $95 million, will increase capacity at two of the Company's domestic chemical plants and at a joint venture manufacturing operation in Marl, West Germany. The remaining $23 million of the program will be expended to increase capacity at the Fontana, California roofing plant and for new equipment at other building materials plants.

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The capital program will be financed principally through internal cash flow, with financing for the Fontana expansion coming from $6.3 million in tax-exempt revenue bonds. At the end of the year, the Company had commitments of $8.0 million for approved capital expenditures. Commitments under various capital and operating lease obligations are detailed in Note 10 to Consolidated Financial Statements.

Results of Operations

GAF experienced in 1984 the highest earnings in its history, both in terms of net income and income before extraordinary credits. The $41 million income before extraordinary credits was 26% higher than the previous high set in 1974. Operating income from the Chemicals Division reached the highest level in Company history, while the Building Materials Division recorded its first profitable year since 1980. Total division income for the year nearly tripled to $90.6 million, reflecting record Chemicals profits of $79 million and Building Materials' $45.4 million turnaround to a profit of $10.9 million.

Consolidated sales, which had decreased over 7% in 1982, increased $76.2 million (12.2%) in 1983 and another $31.9 million (4.6%) in 1984. Chemicals sales increased $34 million (10.5%) in 1984 after a $28.8 million (9.8%) increase in 1983, reflecting higher unit sales in all major product lines. Building Materials sales in 1984 fell slightly to $370.8 million, after a $44.4 million (13.5%) increase in 1983 to $373.2 million. While the 1983 increase reflected a rebound in sales volume from the depressed industry conditions in 1982, the 1984 decrease reflected the closing of three plants in January, 1984, and the sale during the year of the Division's 13 building supply centers.

Consolidated operating income for 1984 of $62.2 million represents an increase of more than 123% from last year's $27.8 million and a $76.8 million turnaround from a loss of $14.6 million in 1982. Gross margins, which were 16.8% and 20.7% in 1982 and 1983, respectively, increased to nearly 25% in 1984 as a result of newly implemented cost control measures.

The Chemicals Division reported record high profits in 1984 of $79 million, a 22% increase over the previous high of $64.6 million for the year 1983 which, in turn, was 16.6% higher than the 1982 results. Operating margins in 1984, 1983 and 1982 were 22.1%, 20% and 18.8%, respectively. The Division continued to show an increasingly high pretax operating return on assets, with a return of 38.8%, 32.6% and 27.7%, respectively, for the years 1984, 1983 and 1982.

The Chemicals Division's performance resulted from continued cost cutting and higher unit sales in all major product lines. The Division's international operations, despite the adverse effect of the strong dollar, continued to report higher sales and improved profits. International sales increased 12.7% in 1984 after an increase of 10.2% in 1983, while profits, which include GAF's 50% equity in its joint venture manufacturing operation, increased 3% in 1984 and 25% in 1983 as compared with 1982.

The Building Materials Division recorded a profit in 1984 of $10.9 million after three consecutive years of heavy losses. The loss in 1983 of $34.5 million included a $26.1 million provision for plant shutdown costs. The Division's performance in 1984 was aided by a six-percent increase in residential roofing sales, increased emphasis on the implementation of manufacturing efficiencies, the closing of three unprofitable plants in January, 1984, and the effect of full conversion from organic to glass fiber roofing production. This turnaround was achieved despite another disappointing year in the building industry in which selling prices, due to overcapacity in the industry, were held to 1979-1980 levels. However, due to the programs implemented by the Company in 1984, management expects this business to operate at increasingly higher levels of profitability in the coming years.

Corporate operating expenses, which decreased $6.7 million (22.8%) in 1983 as compared with 1982, were reduced another $4.2 million (18.5%) in 1984. This decrease was attributable to staff reductions, decentralization of operations and relocation of the Company's corporate headquarters. The effects of the programs implemented in 1984 will carry over into 1985 and are expected to result in further reductions in corporate overhead expenses.

The Company's results in both 1983 and 1982 were affected by several nonrecurring factors. The prolonged 1983 proxy contest resulted in a charge to operations of $10 million ($.70 per share—primary). Net income in 1982 was favorably affected by proceeds from sales of tax benefits, settlement of two lawsuits with Eastman Kodak and reversal of reserves related to the terminated Retirement Plan for Salaried Employees. Total income from these items amounted to $30.1 million ($2.10 per share—primary), or 53% of the Company's total 1982 net income.

For a review of the effects of inflation on the Company's financial statements, see Supplementary Data-Financial Reporting and Changing Prices.

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Review of Consolidated Financial Information

Summary of Selected Financial Data
(Millions of Dollars, Except Per Share Amounts)

Year Ended December 31	**1984**	1983	1982	1981	1980
Net Customer Sales					
Chemicals	**$357.2**	$323.2	$294.4	$300.8	$284.4
Building Materials	**370.8**	373.2	328.8	371.7	392.8
Broadcasting	**3.3**	3.0	—	—	—
Consolidated Sales	**731.3**	699.4	623.2	672.5	677.2
Division Income (Loss) Before Income Taxes					
Chemicals	**79.0**	64.6	55.4	55.9	50.8
Building Materials	**10.9**	(34.5)	(26.3)	(38.6)	13.7
Broadcasting	**0.7**	0.5	—	—	—
Total	**90.6**	30.6	29.1	17.3	64.5
Income (Loss) From Continuing Operations	**41.0**	(29.2)	12.2	(28.2)	10.3
Earnings (Loss) Per Common Share—					
Continuing Operations: Primary	**2.62**	(2.23)	.64	(2.24)	.50
Fully Diluted	**2.30**	(2.23)	.70	(1.57)	.50
Dividends Per Common Share	**.10**	.05	.50	.80	.77
As of December 31					
Current Assets	**$254.9**	$220.9	$212.4	$337.3	$482.7
Current Liabilities	**114.2**	127.7	123.4	179.6	330.6
Working Capital	**140.7**	93.2	89.0	157.7	152.1
Property, Plant and Equipment—net	**159.1**	164.5	192.4	196.4	200.0
Total Assets	**452.3**	414.3	468.3	559.8	698.3
Short-term Debt	**6.5**	30.7	7.8	17.4	58.0
Total Long-term Debt	**82.8**	88.8	157.1	215.6	193.5
Shareholders' Equity	**214.0**	169.8	181.9	134.7	122.3
Percent of Debt to Debt Plus Equity	**29.4%**	41.3%	47.5%	63.4%	67.3%

Market for Common Stock

As of March 1, 1985, there were 25,448 holders of record of GAF's outstanding common stock. The following information pertains to the Company's common stock, which is traded on the New York Stock Exchange.

Cash Dividends Per Common Share

	1984	1983
First Quarter	$—	$.05
Second Quarter	—	—
Third Quarter	05	—
Fourth Quarter	.05	—

Price Range of Common Stock

	1984 High	**1984 Low**	1983 High	1983 Low
First Quarter	$17¾	$15	$16½	$12⅞
Second Quarter	18⅞	15½	19¾	15¼
Third Quarter	24⅛	17⅝	16⅞	13⅝
Fourth Quarter	25¾	21	17	14⅝

Consolidated Statements of Income

(Thousands of Dollars, Except Per Share Amounts) Year Ended December 31	1984	1983	1982
Net Sales	**$731,314**	$699,397	$623,236
Costs and Expenses:			
Cost of Products Sold	**548,967**	554,876	518,766
Selling, General and Administrative	**120,139**	116,703	119,065
Total Costs and Expenses	**669,106**	671,579	637,831
Operating Income (Loss)	**62,208**	27,818	(14,595)
Interest Expense	**(9,143)**	(16,280)	(20,031)
Other Income (Expense)—net (Note 2)	**1,553**	(35,727)	38,638
Income (Loss) From Continuing Operations Before Income Taxes	**54,618**	(24,189)	4,012
Income Tax Provision (Benefit) (Note 3)	**13,572**	5,010	(8,170)
Income (Loss) From Continuing Operations	**41,046**	(29,199)	12,182
Income From Discontinued Segments	—	—	5,303
Extraordinary Credits (Notes 3 & 4)	**15,656**	25,358	38,744
Net Income (Loss)	**$ 56,702**	$ (3,841)	$ 56,229

	1984	1983	1982
Earnings Per Common Share (Note 1):			
Primary:			
Continuing	**$ 2.62**	$ (2.23)	$ .64
Discontinued	—	—	.37
Extraordinary	**1.08**	1.76	2.70
Net Income (Loss)	**$ 3.70**	$ (.47)	$ 3.71
Fully Diluted:			
Continuing	**$ 2.30**	$ (2.23)	$ 70
Discontinued	—	—	.30
Extraordinary	**.87**	1.76	2.17
Net Income (Loss)	**$ 3.17**	$ (.47)	$ 3.17

See Notes to Consolidated Financial Statements.

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Consolidated Balance Sheets

(Thousands of Dollars) *December 31*	1984	1983
Assets		
Current Assets		
Cash	$ 16,186	$ 14,909
Short-term investments	53,367	8,559
Accounts receivable, less reserve—1984, $5,426; 1983, $4,709	95,139	98,166
Inventories (Note 1)	83,452	90,751
Other current assets	6,758	8,517
Total Current Assets	254,902	220,902
Property, Plant and Equipment—net (Note 1)	159,115	164,468
Other Assets	38,256	28,897
Total Assets	$452,273	$414,267
Liabilities and Shareholders Equity		
Current Liabilities		
Short-term debt (Note 5)	$ 6,461	$ 30,746
Current portion of long-term debt (Note 5)	10,278	11,516
Accounts payable	57,868	46,009
Accrued liabilities	36,562	37,192
Income taxes payable	2,994	2,264
Total Current Liabilities	114,163	127,747
Long-term Debt Less Current Portion (Note 5)	72,478	77,322
Other Liabilities	51,626	39,394
Shareholders' Equity (Notes 6 & 7)		
Preferred stock, $1 par value per share: authorized 6,000,000 shares; $1.20 convertible series; issued shares—1984, 2,539,658; 1983, 2,549,398; at assigned value of $1.25 per share (preference on liquidation—1984, $66,989)	3,175	3,187
Common stock, $1 par value per share: authorized 25,000,000 shares; issued shares—1984, 14,508,987; 1983, 14,465,701	14,509	14,466
Additional paid-in capital	56,420	55,548
Retained earnings	156,123	103,814
Accumulated translation adjustment	(10,451)	(6,080)
Treasury stock, at cost	(5,770)	(1,131)
Shareholders' Equity	214,006	169,804
Total Liabilities and Shareholders' Equity	$452,273	$414,267

See Notes to Consolidated Financial Statements

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Consolidated Statements of Changes in Financial Position

(Thousands of Dollars) *Year Ended December 31*	**1984**	1983	1982
Cash and Short-term Investments, January 1	**$23,468**	$12,377	$13,348
Source (Use) of Funds:			
Income (Loss) From Continuing Operations	**41,046**	(29,199)	12,182
Charges (credits) not affecting funds:			
Depreciation	**19,397**	21,469	20,717
Plant shutdown costs	**—**	26,146	—
Other—net	**4,209**	(1,937)	(17,566)
Total funds from continuing operations	**64,652**	16,479	15,333
Extraordinary Credits, net of credits not affecting funds	**15,656**	25,358	3,744
Total funds from operations	**80,308**	41,837	19,077
Cash proceeds from sales of assets of discontinued businesses	**822**	5,216	81,976
Additions to property, plant and equipment	**(17,900)**	(13,904)	(17,713)
Other working capital items*	**23,951**	(9,507)	(20,091)
Other	**(2,573)**	34,991	12,487
Total source before financing and investment activity	**84,608**	58,633	75,736
Financing and investment activity:			
Decreases in short-term debt	**(24,285)**	(10,554)	(9,648)
Increases in long-term debt	**6,325**	62	801
Decreases in long-term debt	**(12,407)**	(34,800)	(58,794)
Cash dividends	**(4,393)**	(3,686)	(10,132)
Other	**(3,763)**	1,436	1,066
Total use for financing and investment activity	**(38,523)**	(47,542)	(76,707)
Increase (decrease) in cash and short-term investments	**46,035**	11,091	(971)
Cash and Short-term Investments, December 31	**$69,553**	$23,468	$12,377

*Other working capital items	**1984**	1983	1982
Accounts receivable	**$ 3,027**	$(13,997)	$ (3,764)
Inventories	**7,299**	4,028	48,873
Other current assets	**1,686**	3,257	(3,025)
Accounts payable	**11,859**	(4,744)	(24,477)
Accrued liabilities	**(630)**	1,057	(37,531)
Income taxes payable	**710**	892	(167)
Net source (use) of funds	**$23,951**	$ (9,507)	$(20,091)

See Notes to Consolidated Financial Statements

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Consolidated Statements of Shareholders' Equity

(Thousands of Dollars) *Year Ended December 31*	1984	1983	1982
$1.20 Convertible Preferred Stock:			
Balance, January 1	$ 3,187	$ 3,194	$ 3,265
Converted into common stock: 1984—9,740 shares; 1983—5,359 shares; 1982—57,027 shares	(12)	(7)	(71)
Balance, December 31	3,175	3,187	3,194
Common Stock, $1 Par Value Per Share:			
Balance, January 1	14,466	14,459	14,388
Conversion of 5% convertible subordinated notes and preferred stock	43	7	71
Balance, December 31	14,509	14,466	14,459
Additional Paid-in Capital:			
Balance, January 1	55,548	55,008	54,360
Excess of proceeds over cost of treasury common stock sold	128	484	580
Conversion of 5% convertible subordinated notes	669	—	—
Other	75	56	68
Balance, December 31	56,420	55,548	55,008
Retained Earnings:			
Balance, January 1	103,814	111,341	65,244
Net Income (Loss)	56,702	(3,841)	56,229
Cash dividends:			
Preferred stock ($1.20 per share)	(2,958)	(2,970)	(2,980)
Common stock (per share: 1984—$.10; 1983—$.05; 1982—$.50)	(1,435)	(716)	(7,152)
Balance, December 31	156,123	103,814	111,341
Accumulated Translation Adjustment:			
Balance, January 1	(6,080)	—	—
Accounting change at January 1, 1983	—	(1,903)	—
Translation adjustment for the year	(4,371)	(4,177)	—
Balance, December 31	(10,451)	(6,080)	—
Treasury Stock, at cost:			
$1.20 Convertible preferred stock:			
Balance, January 1	(932)	(932)	(932)
Repurchase of odd-lot holdings—27,272 shares	(725)	—	—
Balance, December 31: 1984—103,672 shares; 1983 and 1982—76,400 shares	(1,657)	(932)	(932)
Common stock:			
Balance, January 1	(199)	(1,151)	(1,638)
Repurchased under restricted stock purchase plan: 1984—20,928 shares; 1983—24,013 shares; 1982—65,559 shares	(136)	(152)	(385)
Issued under various stock option and stock purchase plans: 1984—81,569 shares; 1983—144,750 shares; 1982—132,279 shares	1,062	1,104	872
Repurchase of odd-lot holdings—233,073 shares	(4,840)	—	—
Balance, December 31: 1984—196,442 shares; 1983—24,010 shares; 1982—144,747 shares	(4,113)	(199)	(1,151)
Shareholders' Equity	$214,006	$169,804	$181,919

See Notes to Consolidated Financial Statements

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1. Summary of Significant Accounting Policies

Principles of Consolidation
The accounts of all significant subsidiaries of the Company are included in the consolidated financial statements. All significant intercompany transactions and balances have been eliminated. A wholly owned captive insurance subsidiary and the 50 percent ownership of a foreign chemical manufacturing company are accounted for by the equity method.

Short-term Investments
Short-term investments are stated at cost, which approximates market.

Inventories
Inventories are stated at the lower of cost (principally average) or market. Inventories at December 31 consist of the following:

Thousands of Dollars	1984	1983
Finished goods	$40,296	$39,297
Work in process	12,891	16,619
Raw materials and supplies	30,265	34,835
Total inventories	$83,452	$90,751

Property, Plant and Equipment and Related Depreciation
Depreciation is computed principally on the straight-line method based on the estimated economic lives of the assets. Certain interest charges are capitalized as part of the cost of property, plant and equipment additions.

Property, Plant and Equipment at December 31 consist of the following:

Thousands of Dollars	1984	1983
Land and land improvements	$ 15,049	$ 15,069
Buildings and building equipment	52,558	54,385
Machinery and equipment	200,658	211,049
Construction in progress	10,182	5,714
Total	278,447	286,217
Less Accumulated Depreciation	119,332	121,749
Property, Plant and Equipment—net	$159,115	$164,468

Cost in Excess of Net Assets Acquired
Cost in excess of net assets acquired prior to 1970 in the amount of $5,744,000 is included in Other Assets in the accompanying Consolidated Balance Sheets and is not being amortized as it is believed to have continuing value.

Deferred Income Taxes
Deferred income taxes arise from reporting certain income and expense items in the financial statements in periods different from those in which such amounts are reported for income tax purposes.

Investment Tax Credits
The Company accounts for investment tax credits as a reduction of the provision for United States income tax (the flow-through method).

Reclassifications
Certain amounts in the 1983 and 1982 financial statements and footnotes thereto have been reclassified to conform with the 1984 presentation.

Foreign Currency Translation
Effective January 1, 1983, the Company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Prior years have not been restated as the effect is not material.

Research and Development
Research and development expenses are charged to operations as incurred and amounted to $8.7 million in 1984, $8.0 million in 1983 and $6.6 million in 1982.

Earnings Per Common Share
Primary earnings per common share are based on the weighted average number of common and common equivalent shares outstanding during each year after giving appropriate effect for preferred stock dividends. Weighted average shares for computing primary earnings per share were (in thousands) 14,510 for 1984, 14,442 for 1983 and 14,338 for 1982.

Fully diluted earnings per share are based on the weighted average number of common and common equivalent shares outstanding and the assumed conversion of convertible securities outstanding after appropriate adjustment for interest on convertible notes. Where the effect of the assumed conversion on net income would be anti-dilutive, primary and fully diluted earnings per share are stated the same. Weighted average shares for computing fully diluted earnings per share were (in thousands) 17,993 for 1984, 17,907 for 1983 and 17,850 for 1982.

2. Other Income (Expense)

A summary of Other Income (Expense)—net follows:

Thousands of Dollars For the Year	1984	1983	1982
Equity in income of investees	$5,125	$ 4,705	$ 5,554
Interest income	4,151	3,531	5,550
Plant shutdown costs	—	(26,146)	—
Proxy contest and related expenses	—	(10,042)	—
Legal and other expenses related to products no longer sold	(4,501)	(3,594)	(803)
Cash settlement of antitrust lawsuit with Eastman Kodak	—	—	9,500
Reversal of pension reserves	—	—	7,000
Sales of tax benefits	—	—	6,454
Adjustment of insurance reserves	(2,400)	—	3,483
Office relocation expenses	—	(3,488)	—
Miscellaneous—net	(822)	(693)	1,900
Other Income (Expense)—net	$1,553	$(35,727)	$38,638

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Equity in Income and Net Assets of Investees

Financial data for investments which are accounted for by use of the equity method follows:

Thousands of Dollars *For the Year*	1984		1983	
Income Statement Data	Joint Venture*	Captive Insurance Subsidiary	Joint Venture*	Captive Insurance Subsidiary
Revenues	$45,613	$3,125	$39,773	$ 4,240
Costs and Expenses	35,102	3,007	32,418	4,876
Operating Income (Loss)	10,511	118	7,355	(636)
Income for the Year	6,735	1,291	6,994	362
GAF Equity Therein	3,834	1,291	4,343	362
December 31				
Balance Sheet Data				
Current Assets	$18,997	$1,732	$ 9,893	$ 3,993
Noncurrent Assets	12,501	7,878	17,434	6,706
Total Assets	31,498	9,610	27,327	10,699
Current Liabilities	9,615	38	6,780	34
Noncurrent Liabilities	1,175	4,918	4,253	7,303
Total Liabilities	10,790	4,956	11,033	7,337
Net Assets	20,708	4,654	16,294	3,362
GAF Equity Therein	8,898	4,654	7,519	3,362

*Joint Venture data presented above pertains to GAF Huls Chemie, GmbH, a joint venture between GAF Corporation and Chemische Werke Huls, which operates a chemical manufacturing plant in West Germany

3. Income Taxes

The Income Tax Provision (Benefit) applicable to continuing operations consists of the following:

Thousands of Dollars *For the Year*	1984	1983	1982
Federal	$ 4,932	$ —	$(13,403)
Foreign	5,835	5,310	5,233
State	2,805	(300)	—
Income Tax Provision (Benefit)	$13,572	$5,010	$ (8,170)

Federal taxes in 1982 include $2.7 million related to Deferred Taxes. The differences between the income tax provision (benefit) computed by applying the statutory federal income tax rate to pre-tax income (loss) and the actual tax provision (benefit) applicable to continuing operations are as follows:

Thousands of Dollars *For the Year*	1984	1983	1982
Statutory Provision (Benefit)	$25,125	$(11,127)	$ 1,846
Adjustments:			
Operating loss carryforward (carryback)	-	19,674	(8,458)
Investment Tax Credits	(10,700)	—	—
Impact of Foreign Operations	(1,572)	(2,038)	(978)
State and Local Taxes	1,515	—	—
Other	(796)	(1,499)	(580)
Income Tax Provision (Benefit)	$13,572	$ 5,010	$(8,170)

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At December 31, 1984, the Company had net operating loss carryforwards available to offset future income subject to tax of approximately $65 million for financial reporting purposes, of which approximately $60 million relates to domestic operations. The comparable amount from 1983 was approximately $90 million, of which approximately $80 million related to domestic operations. For tax purposes, the Company has investment tax credit carryforwards of $10.7 million, most of which were generated prior to 1984. These credits were utilized for financial statement purposes during 1984.

As of December 31, 1984, provision had not been made for United States income taxes on approximately $22 million of unremitted earnings of consolidated foreign subsidiaries and the Company's 50% owned joint venture, because it is management's intention to reinvest such earnings indefinitely. Any United States taxes payable on foreign earnings which may be remitted in the future are expected to be reduced by the combined effects of net operating loss carryforwards and foreign tax credits.

Extraordinary Credits for 1984, 1983 and 1982 include $1,830,000, $3,527,000 and $3,744,000, respectively, representing the income tax benefit from the utilization of foreign operating loss carryforwards. The 1984 Extraordinary Credits also include an income tax benefit of $5,479,000 from the utilization of federal and state operating loss carryforwards. Future utilization of the operating loss carryforwards for United States income tax purposes may require the restoration of applicable deferred income tax amounts.

4 Benefit Plans

In September, 1982, the Board of Directors of the Company authorized the termination of the Retirement Plan for Salaried Employees (Plan), a defined benefit plan, effective December 31, 1982, and the creation of a new GAF Capital Accumulation Plan, a defined contribution plan, for eligible salaried employees effective January 1, 1983. As a result of the termination, transfers of funds were made to the Company in November, 1983 and during 1984 in the total amount of $65,178,000. Such reversion of the Plan's residual assets to the Company created Extraordinary Credits of $8,347,000, $21,831,000 and $35,000,000 for the years 1984, 1983 and 1982, respectively.

Under the new GAF Capital Accumulation Plan, Company contributions consist of a basic contribution of three percent of the compensation of participants for the plan year together with matching contributions, up to an additional four percent as specified in the plan, for those participants who have elected to make voluntary contributions to the plan. Each participant is fully vested at all times in the balance in each of his or her accounts in the plan. The aggregate contributions made by the Company to the plan and charged to operations in 1984 and 1983 were $2,896,000 and $3,029,000, respectively.

The retirement plans for hourly employees and Texas City facility employees are noncontributory defined benefit plans. Company policy is to fund accrued pension expense. Pension expense charged to operations was $289,000 in 1984, $430,000 in 1983 and $873,000 in 1982. A comparison of the accumulated plan benefits and plan net assets for these plans is presented below:

Thousands of Dollars	1984	1983
Actuarial present value of accumulated plan benefits		
Vested	$83,625	$81,453
Nonvested	2,461	2,561
Total	$86,086	$84,014
Plan assets available for benefits	$92,626	$91,997
Assumed rate of return	8%	7%
Plan valuation date	1/1/84	1/1/83

In 1984, the Company announced a proposed spin-off/termination involving its Retirement Plan for Hourly Employees, pursuant to which the Company purchased an annuity contract approximating $68 million covering the benefits accrued to September 1, 1984, for participants of the plan. Assets were sufficient to provide for the accrued benefits of all hourly participants. Pursuant to governmental regulations, excess assets were then "spun-off" to a new plan for inactive members. The inactive plan was then terminated. Following government approvals of the spin-off/termination, the excess assets, estimated at over $17 million, will revert to the Company. The Company will contribute to the plan in future years for active employees to meet liabilities as they accrue.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees, including employees in foreign countries, may become eligible for those benefits if they

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reach normal retirement age while working for the Company. The cost of retiree health care and life insurance benefits from continuing operations ($3.7 million in 1984) is recognized as expense as claims are paid.

As part of the 1977 and 1980 discontinuance programs, the Company provided for benefits, primarily health and life insurance of certain retired employees, of discontinued businesses. The balance of the liability for such future benefits at December 31, 1984 and 1983 was $18 million and $19.9 million, respectively.

5. Debt and Dividend Restrictions

Information regarding short-term debt is as follows:

Thousands of Dollars	1984	1983	1982
As of December 31:			
Balance outstanding	$ 6,461	$30,746	$ 7,800
Weighted average interest rate	8.0%	10.7%	10.0%
For the Year:			
Average month-end short-term debt outstanding	$17,915	$73,931	$13,368
Maximum month-end short-term debt outstanding	$45,789	$95,517	$17,954
Weighted average month-end interest rate	11.4%	10.1%	13.5%

At December 31, 1984, the Company had unused short-term lines of credit aggregating approximately $12.6 million (in addition to the revolving credit facility discussed below). The short-term lines of credit are maintained with banks on terms which expire on various dates, but are generally renewable. Borrowings generally bear interest at or near the prime commercial lending rate.

Long-term debt at December 31, 1984 and 1983 was as follows:

Thousands of Dollars	1984	1983
9½% senior notes due March 31, 1987, with annual scheduled principal repayments	$17,100	$[illegible]
8½% senior notes due January 15, 1992, with annual scheduled principal repayments	19,300	21,900
Industrial revenue bonds with various interest rates and maturity dates to 2009. Certain assets are pledged as collateral thereto	22,981	18,243
Obligation under capital lease (Note 10)	10,319	11,113
5% convertible subordinated notes due April 1, 1994, with optional annual repayments beginning April 1, 1990	7,500	8,200
Other	5,556	5,782
Total	82,756	88,838
Less current portion	10,278	11,516
Long-term debt, less current portion	$72,478	$77,322

The 5% convertible subordinated notes are convertible into shares of common stock at any time at a conversion price of $22.50 per share (subject to antidilution adjustments in specified circumstances). During 1984, $700,000 of notes were converted into 31,111 shares of common stock.

The Company in 1984 entered into a $100 million revolving credit facility with a consortium of eight banks, effective as of June 1, 1984, and terminating December 31, 1986. However, as a result of improved cash flow, the Company in the third quarter voluntarily reduced this credit facility to $50 million. Interest on the borrowings is at the prime rate or a rate based on the London Interbank Offer Rate. Under the agreement, a commitment fee of ½ of 1% per annum is charged on the daily average unused portion of the commitments, and a facility fee of ½ of 1% per annum is charged on the commitments, whether used or unused. At December 31, 1984, there were no borrowings outstanding under this agreement.

The new agreement includes restrictions on the payment of cash dividends on GAF common stock, generally based upon 50% of net income (excluding certain items) subsequent to April 1, 1984, less all cash dividends and certain other special payments made after April 1, 1984. As of December 31, 1984, $16.1 million of retained earnings were available under this agreement for future cash dividends on common stock and repurchases of stock except repurchases to fulfill requirements of employee stock option and stock purchase plans. The agreement and other loan agreements contain provisions which, among other things, require the maintenance of minimum working capital and net worth and limit the amount of debt and capital expenditures, restrict the right to sell capital assets, engage in mergers or consolidations and to incur certain contingent obligations.

The aggregate maturities of long-term debt for the next five years are as follows:

Thousands of Dollars	
1985	$10,278
1986	$10,007
1987	$12,735
1988	$ 3,982
1989	$ 5,996

6. Capital Stock

The $1.20 convertible preferred stock, dividends on which are cumulative, is convertible at any time into common stock at the rate of 1.25 shares of common stock for each share of preferred. The Company, at any time at its option, may redeem all or any of the preferred stock at $27.50 per share. In January, 1985, the Company called for redemption 1,138,000 shares of the $1.20 convertible preferred stock at the redemption price of $27.50 per share plus accrued divi-

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dends of $.24 per share from January 1, 1985 through the redemption date of March 13, 1985. Holders of shares called for redemption have the right to convert to common stock at any time prior to the close of business on the redemption date. The shares called for redemption were selected by lot.

The shares of common stock reserved for issuance at December 31, 1984 and 1983 were as follows:

Shares Reserved	1984	1983
Conversion of $1.20 convertible preferred stock	3,044,983	3,091,248
Conversion of 5% convertible subordinated notes	333,333	364,444
Issuance under stock option and purchase plans	1,984,933	636,362
Total Shares Reserved	5,363,249	4,092,054

7. Stock Option and Stock Purchase Plans

In 1984, the Company adopted the 1984 Stock Option Plan which provides for the granting of incentive and nonqualified stock options to key employees of the Company and its subsidiaries to purchase common stock of the Company at not less than 100 percent of the fair market value at the date of grant. Under the terms of the plan, options for 800,000 shares of common stock may be granted from time to time until April 30, 1989. During 1984, 356,300 options were granted, of which 349,800 were outstanding at December 31, 1984, at option prices ranging from $17.125 to $23.75. There were 450,200 options available for grant at December 31, 1984. The term of each option is five years and sixty days. Options may not be exercised during the first year after the date of grant, but thereafter, options become exercisable as to 20% of the shares subject thereto on each of the first through the fifth anniversaries of the date of grant.

The Company's 1975 nonqualified stock option plan provided for the granting of 800,000 options to key employees to purchase common stock of the Company at not less than 100 percent of the fair market value at the date of grant. Options granted through April 30, 1984 are exercisable one year after grant and expire after 10 years. Options granted after April 30, 1984 are subject to the same terms and conditions as options issued under the 1984 Stock Option Plan.

These plans provide for stock appreciation rights, wherein an option holder may request "surrender" of the option in exchange for payment (in cash or stock) by the Company of the difference between the option and market prices on the date of surrender. The requested surrender of an option may be granted or denied at the discretion of the Executive Compensation Committee of the Board of Directors. The plans also provide for limited stock appreciation rights permitting the option holder to surrender exercisable options in the event of a tender or exchange offer for the Company's common stock made by someone other than the Company.

The following is a summary of certain information pertaining to the 1975 stock option plan:

Shares	1984	1983	1982
Outstanding January 1	254,400	404,650	574,150
Granted	124,100	—	—
Exercised	(52,000)	(144,750)	(133,000)
Terminated	(500)	(5,500)	(36,500)
Outstanding December 31	326,000	254,400	404,650
At December 31			
Exercisable	201,900	254,400	404,650
Available for grant	—	124,000	118,500
Option Price Range Per Share			
Outstanding	$ 9.625- $ 23.75	$ 9.625- $14.875	$ 9.625- $14.875
Exercised	$ 9.625- $14.875	$ 9.625- $14.875	$ 9.625- $11.875

In April, 1984, the shareholders of the Company approved the 1984 Employee Stock Purchase Plan covering 600,000 shares of common stock. The plan provides for grants of options to purchase shares of common stock on a nondiscriminatory basis to all eligible employees of the Company and its subsidiaries. No options to purchase shares of common stock under the plan may be granted after April 30, 1989. The price at which shares may be purchased is the lesser of (i) 85% of the fair market value on the date of grant or (ii) 85% of the fair market value on the date of purchase. As of December 31, 1984, 18,957 shares of common stock had been issued under the plan.

Under the provisions of the Company's 1969 restricted and unrestricted stock purchase plan, 650,000 shares of common stock were authorized for sale to key employees. The plan currently provides that restricted and unrestricted shares may be sold at prices which are not less than 50 percent and 80 percent, respectively, of the closing market price preceding the date of grant. Under certain conditions, the Company has the right to repurchase restricted shares of common stock at the original selling price. At December 31, 1984, there were 277,890 shares available for sale under this stock purchase plan. The excess of quoted market value at the date of grant over the aggregate sales price for restricted shares sold is amortized by charges to income and credits to additional paid-in capital over the restricted period.

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8. Business Segments Information

Millions of Dollars *For the Year*	1984	1983	1982
Sales			
Chemicals*	$357.2	$323.2	$294.4
Building Materials	370.8	373.2	328.8
Broadcasting***	3.3	3.0	—
Consolidated Sales	$731.3	$699.4	$623.2
Division Income (Loss)			
Chemicals**	$ 79.0	$ 64.6	$ 55.4
Building Materials	10.9	(34.5)	(26.3)
Broadcasting***	0.7	0.5	—
Total	90.6	30.6	29.1
Corporate:			
Operating Expenses	(18.5)	(22.7)	(29.4)
Interest Expense	(9.1)	(16.3)	(20.0)
Other Income (Expense)—net	(8.4)	(15.8)	24.3
Net Corporate Expenses	(36.0)	(54.8)	(25.1)
Income (Loss) From Continuing Operations Before Income Taxes	$ 54.6	$ (24.2)	$ 4.0
Identifiable Assets			
Chemicals**	$203.8	$198.1	$199.8
Building Materials	158.6	164.1	176.8
Corporate and other	89.9	52.1	91.7
Total Assets	$452.3	$414.3	$468.3
Additions to Property, Plant and Equipment			
Chemicals	$ 9.6	$ 5.2	$ 7.7
Building Materials	8.0	8.3	9.1
Corporate and other	0.3	0.4	0.9
Total	$ 17.9	$ 13.9	$ 17.7
Depreciation			
Chemicals	$ 11.1	$ 10.0	$ 10.6
Building Materials	7.0	9.3	8.2
Corporate and other	1.3	2.2	1.9
Total	$ 19.4	$ 21.5	$ 20.7

*Chemicals sales are net of intersegment sales of $23.2 million, $20.9 million and $16.1 million for 1984, 1983 and 1982, respectively. Intersegment sales are recorded at the same prices charged to unaffiliated customers.

**Chemicals Division income and identifiable assets include GAF's 50% equity in the income and assets of GAF/Hüls Chemie, GmbH (see Note 2)

***Classified as a discontinued business in 1982.

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9. Geographic Information

Millions of Dollars For the Year	1984	1983	1982
Domestic Operations:			
Net Sales*	$649.9	$627.9	$557.4
Operating Income (Loss)	$ 49.2	$ 16.0	$(23.1)
Other Income (Expense)	(14.9)	(60.0)	11.5
Income (Loss) From Continuing Operations Before Income Taxes	$ 34.3	$(44.0)	$(11.6)
Identifiable Assets	$404.8	$375.0	$432.0
Foreign Operations:			
Net Sales**	$ 81.4	$ 71.5	$ 65.8
Operating Income (Loss)	$ 13.0	$ 11.8	$ 8.5
Other Income (Expense)***	7.3	8.0	7.1
Income (Loss) From Continuing Operations Before Income Taxes	$ 20.3	$ 19.8	$ 15.6
Identifiable Assets***	$ 47.5	$ 39.3	$ 36.3

*Domestic sales are net of transfers between geographic areas of $34.9 million, $29.0 million and $26.4 million, respectively.

**Foreign sales are net of transfers between geographic areas of $7.3 million, $9.4 million and $9.1 million, respectively.

***Foreign Operations income and identifiable assets include GAF's 50% equity in the income and assets of GAF/Huls Chemie, GmbH (see Note 2).

10. Commitments and Contingencies

The lease for the Company's headquarters in Wayne, N.J., is accounted for as a capital lease and is included in Property, Plant and Equipment—net at December 31, 1984 and 1983 in the amount of $7,546,000 and $7,987,000, respectively. The related present value of future net minimum lease payments is reflected as long-term debt (see Note 5), and the amortization expense associated with the capital lease is included in depreciation expense. The Company also has operating leases for transportation and data processing equipment and for other buildings.

Future minimum lease payments for properties which are held under long-term noncancelable leases as of December 31, 1984 are as follows:

Thousands of Dollars Minimum Payments	Capital Lease	Operating Leases
1985	$ 1,606	$3,280
1986	1,544	989
1987	1,482	414
1988	1,419	209
1989	1,356	116
Later Years	8,600	19
Total minimum payments	16,007	$5,027
Less interest included above	5,688	
Present value of net minimum lease payments	$10,319	

At December 31, 1984, there were various lawsuits pending against the Company relating to matters arising from its business, including approximately 18,100 involving bodily injury claims relating to the exposure to asbestos or asbestos-containing products no longer sold by the Company. The Company is also named as a defendant in approximately 50 asbestos property damage lawsuits by school districts and other owners of buildings seeking to recover the cost of removal of asbestos insulation and other asbestos products. The full cost of indemnity and defense of all the asbestos bodily injury and property damage lawsuits is being paid by the Company's insurance carriers, subject to reservations of rights. In the opinion of management, the ultimate disposition of such matters will not have a material adverse effect on the Company's consolidated financial position.

11. Supplementary Financial Information

Thousands of Dollars For the Year	1984	1983	1982
Maintenance and repairs	$41,796	$40,822	$41,233
Rentals—operating leases	5,601	6,954	6,586

Auditors' Report

ARTHUR ANDERSEN &CO.

101 Eisenhower Parkway
Roseland, New Jersey 07068

To the Shareholders and Board of Directors of
GAF Corporation:

We have examined the consolidated balance sheet of GAF Corporation (a Delaware corporation) and subsidiaries as of December 31, 1984, and the related consolidated statements of income, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements for the years ended December 31, 1983 and 1982, were examined by other auditors whose report thereon dated February 17, 1984, expressed an unqualified opinion on those statements.

In our opinion, the 1984 financial statements referred to above present fairly the financial position of GAF Corporation and subsidiaries as of December 31, 1984, and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.
Arthur Andersen & Co.

February 11, 1985

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Financial Reporting and Changing Prices

The Company's financial statements are presented on an historical cost basis and, as such, are not intended to measure the effects of changing prices in an inflationary economy. In accordance with the Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices," as amended, the following supplementary information is presented to reflect the estimated impact of inflation on the Company's income from continuing operations.

The Company's historical financial data have been adjusted for the effects of changes in specific prices (current cost basis) on inventories and property, plant and equipment. Plant and equipment current costs were estimated by adjusting historical costs by externally generated industrial price indexes. Inventory costs were developed using current manufacturing costs. Inventory costs included in the Cost of Products Sold were determined on average current costs during the year. Depreciation expense was adjusted based on the restated asset values using the same estimated useful lives and depreciation rates used in the primary financial statements.

Adjusted income from continuing operations of $25.9 million compares to reported earnings from continuing operations of $41 million, reflecting the increased cost of replacing assets during inflationary periods. This hypothetical decrease in income is due to the higher depreciation expense on property, plant and equipment and higher costs of inventories sold. Sales and other costs and expenses, including income taxes, have not been adjusted. This points out the higher tax burden on companies during inflationary periods, as the effective tax rate for GAF on the adjusted income statement is 34.4% compared with a rate of 24.8% on the historical financial statements.

The management of the Company cautions the reader in interpreting this supplementary data due to the required use of numerous assumptions and estimates in preparing the information. This data is therefore only an indicator of the effects of inflation and does not provide a precise measurement.

Consolidated Statement of Income From Continuing Operations Adjusted for Changing Prices (Unaudited)

Thousands of Dollars *For the Year Ended December 31, 1984*	As Reported in the Primary Statements (Historical Cost)	Adjusted for Changes in Specific Prices (Current Cost)
Net Sales	$731,314	$731,314
Cost of Products Sold*	532,096	53[illegible],245
Depreciation	19,397	30,379
Other Expenses—net	116,060	116,060
Interest Expense	9,143	9,143
Income Taxes	13,572	13,572
Income from Continuing Operations	$ 41,046	$ 25,915
Purchasing power gain on net monetary liabilities		$ 1,930
Increase in specific prices (current cost) of inventories and property, plant and equipment held during the year**		$ 14,067
Effect of increase in the general price level		12,682
Increase in specific prices over (under) effect of increase in the general price level		$ 1,385

*Excludes $16,871 depreciation expense included in Cost of Products Sold in the primary financial statements.

**The estimated current cost of net Property, Plant and Equipment and Inventories was $224,509 and $84,534, respectively, at December 31, 1984.

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Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (In Average 1984 Dollars)

Thousands of Dollars, Except Per Share Amounts	1984	1983	1982	1981	1980
Net Sales	$731,314	$729,191	$670,709	$768,105	$853,686
Current cost information					
Income (loss) from continuing operations	25,915	(54,175)	(11,813)	(55,674)	(18,390)
Income (loss) per common share—primary	1.58	(3.96)	(1.04)	(4.22)	(1.36)
Increase in specific prices of inventory and property over (under) effect of increase in general price level	1,385	(8,159)	4,203	(27,968)	1,214
Net assets at year-end	276,583	256,309	290,344	264,818	285,662
Other data, adjusted for general inflation					
Purchasing power gain on net monetary liabilities	1,930	3,313	6,609	24,823	34,722
Dividends per common share	.10	.05	.54	.92	.97
Year-end market price per common share	24.16	17.05	14.90	15.89	16.10
Average Consumer Price Index	311.1	298.4	289.1	272.4	246.8

Quarterly Financial Data (Unaudited)

	1984 by Quarter				1983 by Quarter			
Millions of Dollars Except Per Share Amounts	First	Second	Third	Fourth	First	Second	Third	Fourth
Net Sales	$169.9	$191.3	$203.8	$166.3	$163.6	$184.1	$184.0	$167.7
Cost of Products Sold	129.8	143.8	151.1	124.3	131.5	144.3	142.3	136.8
Gross Profit	$ 40.1	$ 47.5	$ 52.7	$ 42.0	$ 32.1	$ 39.8	$ 41.7	$ 30.9
Income (Loss) From Continuing Operations Before Income Taxes	$ 10.1	$ 15.5	$ 17.0	$ 12.0	$ 3.6	$ 3.0	$ 7.3	$(38.1)
Income Tax Provision	2.7	3.6	4.9	2.4	1.4	1.2	1.5	0.9
Income (Loss) From Continuing Operations	7.4	11.9	12.1	9.6	2.2	1.8	5.8	(39.0)
Extraordinary Credits	6.2	3.2	1.5	4.8	1.1	0.8	1.1	22.4
Net Income (Loss)	$ 13.6	$ 15.1	$ 13.6	$ 14.4	$ 3.3	$ 2.6	$ 6.9	$(16.6)
Earnings Per Common Share*								
Primary								
Continuing	$ .46	$ .77	$ .79	$ .61	$ .10	$ .07	$ .35	$(2.74)
Extraordinary	.42	.22	.10	.33	.07	.06	.08	1.54
Net Income (Loss)	$ .88	$ .99	$ .89	$ .94	$ .17	$ .13	$ .43	$(1.20)
Fully Diluted								
Continuing	$ .42	$ .67	$ .68	$ .54	$ .10	$ .07	$ .33	$(2.74)
Extraordinary	.34	.18	.08	.27	.07	.06	.06	1.54
Net Income (Loss)	$ .76	$ .85	$ .76	$ .81	$ .17	$ .13	$ .39	$(1.20)

*In accordance with the provisions of APB Opinion No. 15, earnings per share are calculated separately for each quarter and the full year. Accordingly, annual earnings per share will not necessarily equal the total of the interim periods.

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Board of Directors:

Samuel J. Heyman
Chairman of the Board
and Chief Executive Officer,
GAF Corporation

Daniel T. Carroll
Chairman of the Board
and President,
The Carroll Group, Inc.
(management consulting)

Dr. Jacob E. Goldman
Chairman of the Board,
Cauzin Systems Inc.
(manufacturer of personal
computer accessories)

Sanford Kaplan
Private investor and consultant

William P. Lyons
President, William P.
Lyons & Co., Inc.
(investment banking
and financial consulting)

Scott A. Rogers, Jr.
Consultant

Edward E. Shea
Senior Vice President,
General Counsel
and Secretary, GAF Corporation

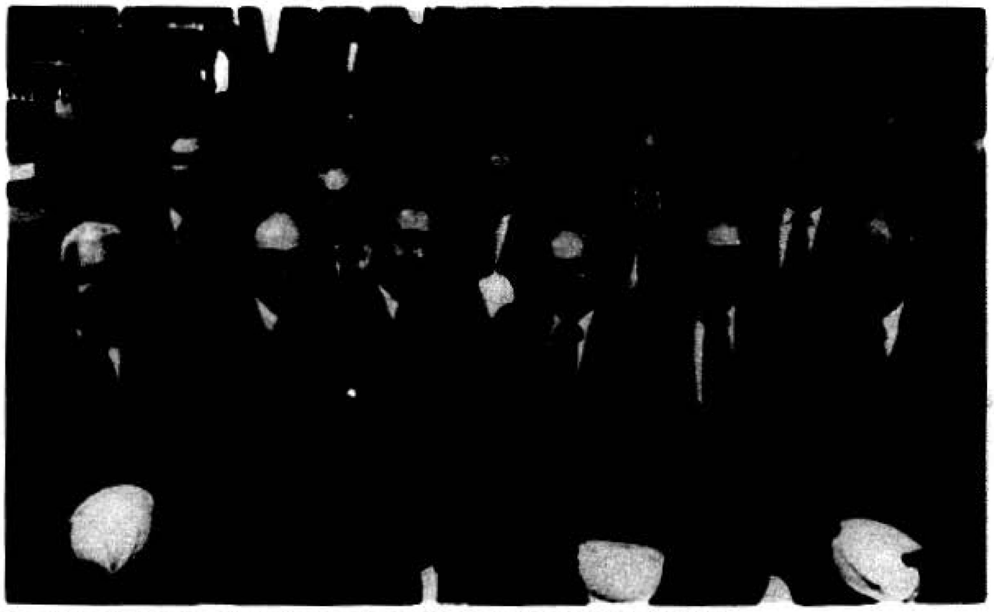
James T. Sherwin
Vice Chairman
and Chief Administrative Officer,
GAF Corporation

Harold C. Simmons
President and Director,
Contran Corporation
(diversified holding company)

William Spier
Private investor

Joseph D. Tydings
Partner, Finley, Kumble,
Wagner, Heine, Underberg,
Manley & Casey (attorneys)

Robert Wilson
Chairman of the Board,
Wilson & Chambers, Inc.
(private investing)



Board members pictured at Company's Fontana, California roofing facility
Top row (left to right): Joseph D. Tydings, Daniel T. Carroll, William P. Lyons, Robert C. Wilson, Harold C. Simmons, and William Spier. Bottom row (left to right): Scott A. Rogers, Jr., Edward E. Shea, Samuel J. Heyman, James T. Sherwin, Jacob E. Goldman, and Sanford Kaplan.

Corporate officers pictured at Company's Wayne, New Jersey headquarters
(left to right): Raymond J. Lacroix, Edward E. Shea, Bernard L. Kapell, James T. Sherwin, Carl R. Eckardt, Matthew L. Gooby, John A. Brennan, and James E. Cunningham. Not pictured, Samuel J. Heyman

Officers

Samuel J. Heyman
Chairman of the Board
and Chief Executive Officer

James T. Sherwin
Vice Chairman and Chief
Administrative Officer

Edward E. Shea
Senior Vice President,
General Counsel and Secretary

Raymond J. Lacroix
Senior Vice President and
Chief Financial Officer

John A. Brennan
Senior Vice President,
Building Materials Division

Carl R. Eckardt
Senior Vice President,
Chemicals Division

James E. Cunningham
Vice President,
Human Resources

Matthew L. Gooby
Vice President,
Management Information
Systems

Bernard L. Kapell
Vice President,
Taxation

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The World of GAF

Corporate Offices

1361 Alps Road
Wayne, New Jersey 07470

Domestic

GAF Corporation's plants, research laboratories and sales offices are located throughout the United States.

Chemicals

Huntsville, Alabama
Calvert City, Kentucky
Hagerstown, Maryland
Annapolis, Missouri
Bound Brook, New Jersey
Linden, New Jersey
Blue Ridge Summit, Pennsylvania
Seadrift, Texas
Texas City, Texas
Pembine, Wisconsin

Building Materials

Mobile, Alabama
Fontana, California
Tampa, Florida
Savannah, Georgia
Mount Vernon, Indiana
Baltimore, Maryland
Millis, Massachusetts
Minneapolis, Minnesota
Chester, South Carolina
Dallas, Texas
Erie, Pennsylvania

International

GAF Corporation's major marketing and service facilities are located throughout the world.

Sydney, Australia
Melbourne, Australia
Vienna, Austria
Sint-Niklaas, Belgium
São Paulo, Brazil
Mississauga, Ontario, Canada
St. Laurant, Quebec, Canada
Paris, France
Frechen, West Germany
Esher, Great Britain
Manchester, Great Britain
Milan, Italy
Tokyo, Japan
Mexico City, Mexico
Schiedam, Netherlands
Auckland, New Zealand
Carolina, Puerto Rico
Singapore, Republic of Singapore
Sandton, South Africa
Barcelona, Spain
Johanneshov, Sweden
Zug, Switzerland

Subsidiary:

GAF Insurance Ltd.
Hamilton, Bermuda

Affiliate:

GAF/Hüls Chemie GmbH
Marl, West Germany

GAF Broadcasting Company, Inc.

New York, New York

Shareholder Information

Annual Meeting

The 1985 Annual Meeting of Shareholders will be held at 10 a.m., Monday, April 29, at Chase Manhattan Bank auditorium, One Chase Manhattan Plaza, New York, NY 10081.

Form 10K

A copy of the Company's Annual Report on Form 10K as filed with the Securities and Exchange Commission may be obtained, free of charge, by writing to:
GAF Corporation
1361 Alps Road
Wayne, NJ 07470

Dividend Reinvestment Service

GAF offers holders of its common and preferred stock the opportunity to buy additional shares through an automatic dividend reinvestment service, administered by Morgan Guaranty Trust Company of New York. For further details contact:
Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, NY 10015
(212) 483-2323

GAF's common and preferred stocks are listed on the New York Stock Exchange (NASDAQ symbols: "GAF" and "GAFPr").

Transfer Agent

Stock Transfer Agent
and Registrar:
Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, NY 10015

GAF Corporation
1361 Alps Road
Wayne, NJ 07470